

NEWS SUMMARY

GENERAL

Irish link in Paris arrests

Three people arrested in Paris this weekend were reported in Dublin yesterday to be members of the Irish National Liberation Army, the political arm of the Dublin-based Irish Republican Socialist Party.

In France, an Elysee Palace statement said Michael Plunkett, Stefan King and Mary Reid were being held in connection with alleged plans for attacks on British targets in Paris and The Hague. It was unclear whether the authorities suspect any connection with the spate of attacks in Paris, mainly linked with Middle East disputes.

The INLA is an illegal organisation in Britain and Northern Ireland, but not in the Irish Republic. Page 2

TUC threat

Len Murray, TUC general secretary, said yesterday the industrial action taken so far in the National Health Service had to be stepped up to persuade the Government to listen. Back Page

Carnival success

London's 17th Notting Hill Carnival went off with a flourish this weekend attracting record crowds. Few people were arrested mostly for minor offences.

China congress

The 12th Congress of the Chinese Communist Party which begins on Wednesday is likely to call for the re-registration of all party members. Back Page

Talks cancelled

Iraq has decided not to go ahead with a meeting of non-aligned foreign ministers in Baghdad due to open later this week.

Belgium arrests

Belgian police arrested 10 people near Bruges as protestors stopped two trains carrying radioactive waste due to be dumped in the Atlantic.

Ingrid Bergman

Ingrid Bergman, one of Hollywood's biggest stars and winner of three Oscars, has died in London aged 67 following a long illness. Page 10

29 runs to win

England needs 29 runs to win the Third Test against Pakistan with 4 wickets remaining.

Drug control call

The UK Office of Health Economics has called for more refined methods of measuring the effects of new medicines. Page 5

Bulgarians held

The Mozambique Resistance Movement reported it was holding five Bulgarians and had killed 10 government soldiers following attacks over the past two days.

Monster marrow

Security guard David Payne of Tewkesbury, Gloucestershire, has grown a 105 lb marrow, setting a new world record.

Briefly...

Sebastian Coe set a new men's 4 x 500 metres world record at Crystal Palace yesterday.

The Soviet Union has completed its first solar-powered village in Turkmenia, Central Asia.

Nahum Goldmann, a former president of the World Jewish Congress for nearly 30 years, died aged 88.

British day-trippers to Calais spend an estimated \$30m-£50m a year.

BUSINESS

TUC to tighten pension control

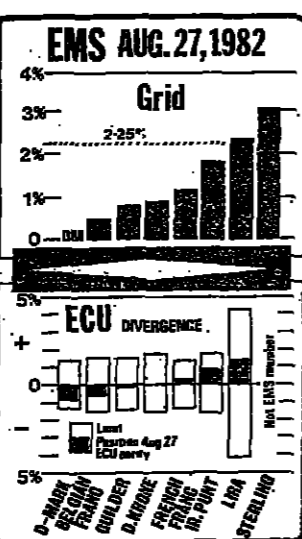
THE TUC is planning to bring workers' pension funds under close trade union control by persuading trustees to challenge the orthodoxy of the funds' investment managers.

The two priorities will be to set a limit on overseas investment and to harness the funds for domestic industrial investment. Back Page

VULNERABLE members of the European Monetary System, such as the French franc and Italian lira, showed a slightly firmer trend at the end of the week.

Earlier the franc came under pressure, and the foreign exchange market remained nervous throughout on fears of the franc's possible withdrawal from the EMS. The Bank of France sold D-marks as the German currency rose to a record level against the franc, and also pushed up Eurofranc interest rates sharply, despite the general downward trend in world interest rates, including cuts in the U.S. German, Swiss and Dutch discount rates.

The D-mark also touched a record against the lira, which continued to decline although it remained the strongest member of the EMS.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the fixed currency in the system defines the cross rates from which no currency (except the ECU) may move more than 2% per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

LONDON-GATWICK rail link scheme to be privately financed is expected to go before ministers in the next few weeks. Back Page

MIN HOLDINGS, the Australian steel and natural resources company, is raising A\$700m (£398m) by a new technique designed to draw institutions into long-term project financing. Back Page

BRITISH STEEL Corporation workers at Scunthorpe fear that another 1,000 job cuts will be announced at the plant.

FRANCE'S Finance Ministry is believed to be preparing a Ffr 10bn (£831m) domestic bond issue to help finance the budget deficit.

WEST GERMANY'S Cabinet seems set to approve tomorrow a DM 1.1bn (£256m) loan guarantee for the stricken electricals concern AEG-Telefunken.

BL and Vauxhall-Opel are to follow Ford's example and cut the discount they give their dealers on new cars. Page 4

CIVIL SERVICE union leaders are proposing tight restrictions on local committees, which played a key role in the 21-week strike last year. Page 8

BARCLAYS National Bank, South Africa's largest, is to offer home mortgages. Page 19

Government seeks to avoid revealing public sector pay indicators

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE GOVERNMENT faces major embarrassment over plans to avoid disclosing its views on the likely increase in public-sector pay next year.

Last autumn it announced an official "assumption" that the public-sector pay bill would rise by 4 per cent this year. This "assumption" needed for preparation of public-expenditure estimates, was widely interpreted by the trade unions as the opening move in the Government's strategy for the 1981-82 public-sector pay round.

This year, however, Sir Geoffrey Howe, the Chancellor, is anxious to avoid revealing the Government's overall pay assumption for the public sector. This is partly because it has become clear to ministers that the same gambit could misfire in preliminaries to a general election.

The main difficulty is that any figure below last year's 4 per cent could seem provocative to the unions if inflation is running at the expected annual rate of 7 per cent to 7½ per cent by late autumn.

A 3 per cent "pay assumption" for example, would probably be represented as a government plan to cut the real value of public-sector pay by 4 per cent. Such a construction, it is feared, might stir the miners to discontent.

Conversely, the Government does not want to announce, or to see leaked, a pay figure for this year higher than last year's 4 per cent. This, it is felt, would give a quite false impression that the Government intended to relax its grip on public-sector pay.

Treasury officials, therefore, have been examining the possibility of drawing up next year's spending plans in such a way that the vital figure is not revealed to the public.

One possibility under discussion is that departments could be given cash budgets which had no provision for any increase in public servants' pay.

The Treasury would instead put an extra sum into the Contingency Reserve, to meet pay increases after they were settled.

This idea, however, conflicts somewhat with the spirit of the new cash-planning system under which departments are allocated a lump-sum to cover all their spending, including that on wage bills and capital projects.

Another difficulty is that departments must use some pay assumption for next year in order to plan the breakdown between their current and capital spending. This figure would have to be supplied by the Treasury and might well become public knowledge.

The Treasury is faced with the further difficulty that last year's 4 per cent figure was partly an assumption for planning purposes, partly an estimate of the final outcome and most importantly, an opening bid. Its estimate of the outcome may differ considerably from any published assumption.

The Civil Servant's pay settlement this spring, for example, was for an increase of 5.9 per cent, and total public service pay settlements have averaged between 6 per cent and 7 per cent.

In the economy as a whole this year, settlements have averaged a little over 7 per cent and earnings have increased at an annual rate of a little under 10 per cent.

The Treasury's best estimate for next year's pay increases is probably about 5 per cent or 6 per cent, similar to its assumptions about inflation.

It is likely the Government wishes to see public sector settlements at the lower end of the range. It is not expected, however, to be planning for public sector increases to be held a long way below the going rate for the second year running.

Mr Rumphal said the recent reshuffling of the crisis over Mexico's huge debts illustrated how grave the state of the economy had become.

Unprecedentedly high interest rates now threatened countries whose creditworthiness had been beyond question and had produced numbers of unemployed not seen by anyone under 50. In addition the fall in commodity prices was producing foreign exchange deficits for most of the developing countries "so severe that they are depriving many an economy of even the capacity for survival."

Sir Geoffrey Howe, the Chancellor, who was chairman of the meeting, echoed these sentiments only partly when he said this was a "particularly difficult time of world recession, of rising unemployment and acute problems of adjustment to a less inflationary environment."

However, he emphasised the continued need to cut inflation to make way for a new round of growth.

He pointed to the more optimistic signs of the recent fall of interest rates in the U.S. and the 5½ point cut in UK short-term rates since last autumn.

Continued progress in reducing interest rates would, however, depend on the success with which a resurgence of inflationary expectations could be prevented, he told the meeting.

Sir Geoffrey cautiously defended the record of the World Bank and announced that the UK would pay its full £185m contribution to the Bank's soft loans arm, the International Development Agency (IDA) for 1983.

The extent of international contributions to IDA this next year has been in doubt because of a decision by the U.S. Congress to defer part of its \$2.34bn contribution previously agreed for 1981-83.

CBI says worldwide slump will continue

By Max Wilkinson, Economics Correspondent

A CONTINUING slump in the world economy and almost no growth for the UK this year are forecast today by the Confederation of British Industry in its latest Situation Report.

The CBI outlook is even more gloomy than the warnings of economic stagnation which followed its quarterly survey of industry last month.

Since then companies have reported increased pessimism about export orders and a greater tendency to believe stock levels are too high as well as slightly worsening prospects for output.

The only cheerful aspect of the CBI's latest monthly inquiry of industry is a further indication that inflation will be reduced.

Reports from the regions generally confirm the view that there will be little increase in economic activity for the rest of this year.

On the basis of its surveys and the recent rather gloomy official statistics for output, stock levels, capital spending and imports, the CBI is now forecasting that total UK output this year will be only 1 per cent higher than last year.

For 1983, it is now forecasting growth of only 1.5 per cent compared with its prediction of 2 per cent published in the Spring.

One of the main reasons for the more pessimistic outlook is the worsening prospects for exports as a result of the continued depression of the world economy. The CBI now believes exports will grow by only about 1 per cent this year and 1½ per cent next year compared with a growth of 6½ per cent in exports this year and 5 per cent next.

However, it believes that inflation will come down to an annual rate of about 7 per cent by the end of this year, and that this lower-than-expected rate will boost consumer spending by about 1½ per cent in real terms next year.

It is also expecting some contribution to growth next year from a rebuilding of stocks after a further small reduction of stock levels this year.

Companies' real profitability is expected to recover from an average of 2.8 per cent last year to about 4 per cent this year, but the CBI points out that this compares with about 5 per cent at the bottom of the 1975 recession and more than 10 per cent throughout most of the 1960s.

Continued on Back Page South-East optimistic Page 4

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Police mass to crush Solidarity demonstrations

BY OUR FOREIGN STAFF

POLICE went on the alert in Poland's major cities yesterday, ready to snuff out mass demonstrations called to mark the second anniversary of the founding of the Solidarity trade union today.

Dozens of armoured personnel carriers, water cannon and police trucks were moved into Warsaw's main squares and other areas designated as gathering points by Solidarity's underground leadership.

Helmeted forces, from squads with crowd dispersal training, patrolled some main streets.

Heavy police activity was also reported in the port city of Gdansk, the union's birthplace. Szececin, Wroclaw and Krakow.

PAP, the official news agency, published a reminder yesterday warning anyone planning to follow the Solidarity call to demonstrate, that all demonstrations, marches, public meetings, protests and strikes are banned.

The report, which was expected to be published in today's official Press, listed penalties, including prison terms, for violations.

It said those found guilty of inciting people to cause disturbances could face up to 15 years in jail, Reuter reports.

Organising a strike or distributing leaflets with false information could draw a five-year term.

Grave warnings about possible eruptions of violence at the demonstrations and even a subsequent armed uprising, which have been made by ministers and newspapers in the last week, were replaced by appeals for prudence in yesterday's Press.

The milder line followed a comparatively restrained speech by military ruler Wojciech Jaruzelski televised on Sunday. He said the anniversary should be marked in an atmosphere of peace and hard work.

Yesterday the authorities restricted the sale of alcohol for the next three days, and Poles have been queuing at petrol stations in advance of today's anniversary in case sales are stopped.

Solidarity's underground leaders have called for people to gather at main squares in Poland's industrial cities this afternoon, in display continued support for the union more than eight months after it was suspended under martial law.

They have also said, in scattered leaflets and bulletins, that the demonstrations are to back their demands for a renewed dialogue with the Communist authorities and that, if the protest call is ignored, it could show the underground broken.

Last week government leaders mounted a campaign of speeches and Press articles saying the organisers were preparing weapons and intended to stage a general strike followed by a possible armed insurrection.

Yesterday's Press traced down this approach. "A responsible" for prudence rests with every single citizen," the Communist Party's daily Trybuna Ludu said.

The papers carried warm praise of the August 31, 1980 accord, which ended a summer of worker unrest and opened the way for Eastern Europe's first independent trade union.

"The country is again in need of the social will which gave birth to the August agreements," wrote the normally hardline army daily Zolnier Wolnosci.

The message of the Press was that the agreements reached two years ago tomorrow began a process of social and socialist renewal which must not be halted.

Bendix shares suspended

BY RICHARD LAMBERT IN NEW YORK

TRADING IN Bendix Corporation's shares was suspended yesterday as directors of Martin Marietta were meeting to consider Bendix's \$1.5bn offer for their company.

The suspension reportedly came at the request of the Martin Marietta board, leading to renewed speculation that the company might be contemplating a retaliatory takeover offer for Bendix itself.

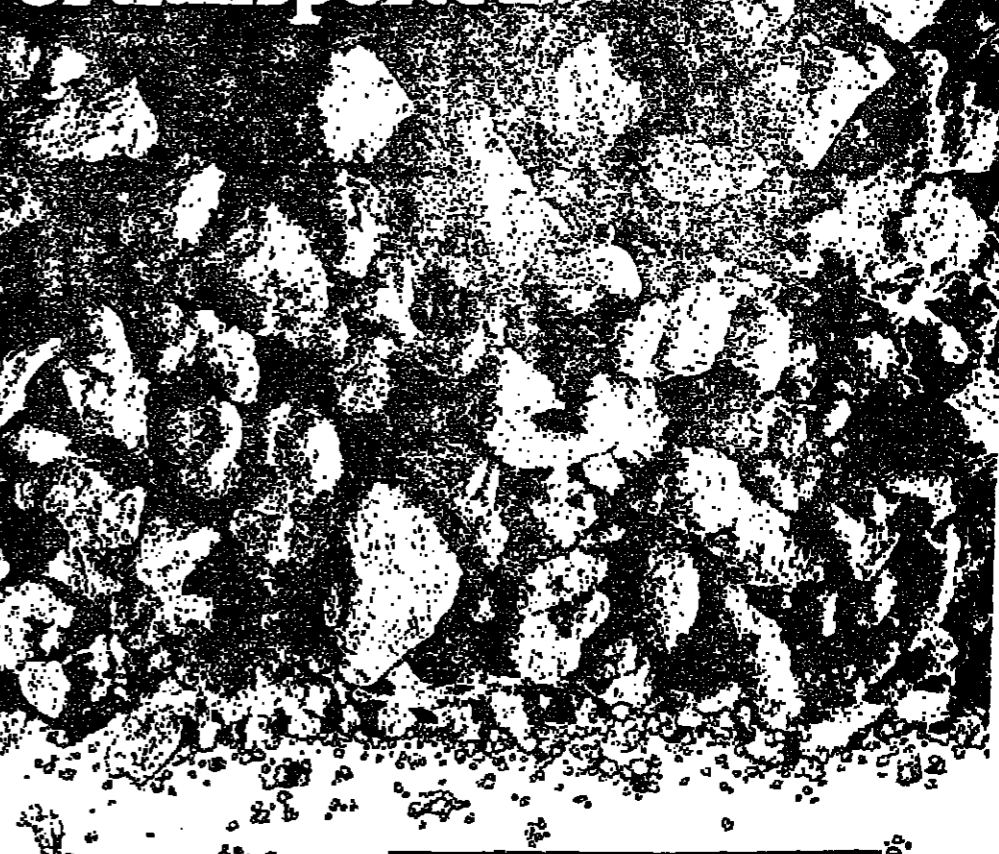
Rumours of such a bid sent Bendix's shares up to \$87 before the suspension compared with about \$51 when it announced its bid for Martin Marietta, a diversified aerospace group, large chemicals interest.

last week. At that price, Bendix is capitalised at more than \$1bn.

Bendix has been diversifying its engineering activities away from the automotive sector for the past five years. It had acquired about 41 per cent of Martin Marietta's stock before the offer was announced last week.

Martin Marietta is a leading contractor on projects such as the space shuttle, the Titan III space launch vehicle and the MX missile. It is also a major producer of cement and had a diversified aerospace group, large chemicals interest.

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OVERSEAS NEWS

French police arrest INLA suspects in Paris suburb

BY DAVID MARSH IN PARIS

THE FRENCH authorities appear to have scored a preliminary success in the fight against terrorism following the arrest in a Paris suburb at the weekend of three persons suspected of being members of the Irish National Liberation Army.

The swoop, made by a crack squad of the National Gendarmerie Intervention Group, was hailed in a dramatic though sketchy communiqué from the Ellysée Palace on Saturday night as an "important" development "in the circle of international terrorism."

President François Mitterrand has staked an important part of his political standing on Government measures to track down the authors of the wave of terrorist attacks which have hit Paris over the past six weeks.

Last night it appeared that the three Irish people—two men and a woman, named last yesterday as Michael Plunkett, Stefan King and Mary Reid—were being held in connection with alleged plans for attacks on British targets in Paris and The Hague.

The Ellysée Palace statement said that documents and explosives had also been seized in the raid. But it was unclear whether the authorities suspect any connection with the recent spate of terrorist attacks in the capital, mainly linked with Middle East disputes.

Thomson group shake-up may strengthen new chief

BY OUR PARIS CORRESPONDENT

A PERSONNEL shake-up at the top of France's nationalised Thomson group looks likely to strengthen the hand of M. Alain Gomez, the dynamic left-winger appointed by the Government in February to head the electrical goods-to-arms conglomerate.

The move is a further step in the Socialist Government's efforts to strengthen control over key state-owned industries whose investment and research decisions are seen as increasingly important to France's economic future.

M. Jean-Pierre Bouyssonnie, the present chairman of the group's electronics and military arm Thomson-CSF, is expected shortly to resign his post and hand over to M. Gomez, already chairman of the parent company, Thomson-Brandt.

According to newspaper reports in Paris—on which the

In the worst incident, on August 9, six people were killed in the city's central Jewish quarter in one of a series of attacks on Jewish and Israeli targets.

Ten days ago a bomb near the Eiffel Tower killed a police officer and injured several others. It was believed to have been aimed at a U.S. embassy official living nearby.

President Mitterrand has seen the popularity in the opinion polls drop sharply since the start of the new wave of attacks—which have coincided with a period of gloom on the economic front.

In an unprecedented television interview in mid-month, he announced his personal determination to confront terrorism, and unveiled a string of toughened Government measures aimed at reinforcing security.

Another fruit of increased police surveillance may have been the separate arrest at the weekend in Paris of an alleged Italian terrorist, Oreste Scialone, sought by the Italian authorities for several years.

The arrest of the alleged INLA members, while welcome as a sign of efficiency in anti-terrorist operations, may have reopened old wounds in the traditional running battle between members of France's domestic security forces.

company yesterday officially would make no comment—the hand-over is expected to be made at a board meeting on September 8.

The departure of M. Bouyssonnie, a member of the "old guard" of French industry, who has been with Thomson for 30 years and first became chairman of Thomson-CSF in 1978, would come as no surprise.

M. Gomez, a co-founder of the left-wing Ceres group, at 43, already has a successful career in the civil service and industry behind him. His elevation to the dual chairmanship of the two Thomson companies would assist Government plans for a radical re-organisation of the group, which made a consolidated loss of FFr 180m (£18m last year) primarily due to difficulties in the television sector and in telephones.

West Germany set to approve AEG guarantee

BY JONATHAN CARR IN BONN

THE WEST GERMAN Cabinet seems set to approve tomorrow a DM 1.1bn (£238m) loan guarantee for the stricken electricals concern, AEG-Telefunken.

Count Otto Lambsdorff, the Economics Minister, said in an interview published today that he would recommend approval on two conditions. These were that the lender (the provincial states) themselves supported the guarantee action, and that the banks stood by their credit promises to AEG.

Although difficult talks are still going on about the guarantee between Bonn and the lender, it is felt likely that both Count Lambsdorff's conditions will, in fact, be met.

Approval by the Cabinet will open the door to further credit for AEG and raise hopes that a court settlement can be reached which avoids bankruptcy.

AEG applied on August 9 for

the opening of court proceedings which would allow it to write off 60 per cent of a crushing debt burden totalling more than DM 5bn.

The Federal Government has already agreed to provide DM 600m in guarantees for loans directly connected with AEG's export business. But before approving a further DM 1.1bn in general loan guarantees, it needed an auditor's report saying the proposed court settlement proceedings stood a real chance of being successful.

A 50-page report from the auditing concern, Treubach, was received by the Economics Ministry last Thursday—and proved generally positive.

Bonn now wants from the lender agreement to cover one half of the DM 1.1bn with counter guarantees—but problems have arisen in finding a formula for sharing out the burden in a way acceptable to all.

Reagan faces new budget showdown with Congress

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

President Ronald Reagan faces a tough new budget showdown with Congress, only 10 days after he rallied an unusual coalition of mainstream Republicans and Democrats to pass his \$88.3bn tax bill.

By vetoing a "budget-busting" \$14.1bn Supplementary Appropriations Bill at the weekend, Mr. Reagan has ensured that he will again have to come from behind to pass the votes necessary to sustain the veto. It can be overturned by two-thirds majorities in both House and Senate.

With Democratic leaders accusing Mr. Reagan of making war on Congress through his veto power, the tax Bill coalition has vanished almost as quickly as it came together. Mr. Reagan clearly hopes that to win re-election he must reassure the Right-wing Republicans, who rebelled against the Bill, by taking a tough anti-spending line—which he also believes to be politically popular in an election year.

Mr. Reagan said in a nationwide radio broadcast last weekend that the Bill contained almost \$1bn too much in funds

to aid low-income students, the poor and the elderly, while his request for defence funds had been cut by over \$3bn.

Another victim of the veto was the \$355m required to launch Mr. Reagan's cherished Caribbean Basin initiative, which was attached to the Bill. Mr. Reagan appealed to Congress to restore the funds in a revised Bill, but there will be considerable reluctance to do so on Capitol Hill at a time of severe cutbacks in domestic programmes.

The White House said Mr. Reagan expected Congress to "act expeditiously" to approve a new Bill when it returns from the Labour Day recess next Wednesday. Officials were reasonably confident that they could sustain the veto in the House.

Mr. Reagan believed that Congress would have to move quickly to meet a September 15 deadline, when another invasion of military pay is due. It was only by an unprecedented one-day piece of accounting juggling that the Administration managed to find funds for forces' pay due on August 31.

Warsaw fears coal earnings weakening

By Leslie Collett, recently in Warsaw

POLAND's exports of coal this year, the country's main hard currency earner, have already exceeded all last year's shipments, but Poland is encountering stiff competition from the U.S. and other coal exporters in its traditional Western markets.

Deaths are also being expected whether it should rely so heavily on coal and other raw materials to earn convertible currencies with which to pay off the country's \$25bn debt.

Poland exported 16.1m tons of coal until August 10, of which 7.1m went to other Comecon countries and 9m to the West. Coal shipments last year slid to only 15m tons, compared with a record 41m tons in 1979.

Mr. Jerzy Malara, the deputy minister of coal-mining, said this year's target is to export 28m to 30m tons of which 12m will go to Comecon and 16m to Western Europe.

Mr. Malara said achieving this goal in the West will be difficult as Poland had "lost many markets" to other coal exporting countries and must "regain the confidence we lost."

The Polish official said U.S. coal exporters had moved into France, Austria and Scandinavia, where British coal was also being sold, after Poland was unable to fulfill its contracts. He said even South African coal had been delivered to Western Europe.

Mr. Malara noted that Western markets are glutted with coal, while the depressed steel industry makes coking coal equally hard to sell. But he said the price for Polish coal—an average of \$55 to \$68 per ton—is the same as last year and that no dumping is taking place. Western commercial sources said the price of Polish export coal was lowered to meet the changed situation of Western markets.

The deputy mining minister maintained that over the longer term the outlook for Polish coal exports is good. Polish coal is low in sulphur and Poland could land coal cheaper in Western Europe than the Americans, because of its lower transportation costs.

He said Austria, with whom Poland has a long-term agreement to supply coal, has abandoned its nuclear energy plans and has turned to conventional coal generated energy.

However, within Poland, there is now a growing debate whether the country should continue to rely so heavily on exports of coal, copper, sulphur and silver. Polish economists point out that the cost of extracting coal and other raw materials has greatly increased in the past two years.

Falling orders hit U.S. machine tools

By Paul Taylor in New York

A KEY MACHINE tool orders, a key indicator of the health of the economy, fell a further 14 per cent last month mainly because of a dramatic collapse in overseas orders.

The latest figures from the National Machine Tool Builders Association show that orders from U.S. and overseas companies fell to \$107.75m last month from \$123.9m in July and \$192m in the same month last year.

Despite a 6 per cent increase in U.S. company orders which grew from \$54.4m in June to \$59.2m in July, orders from overseas companies slumped. Foreign orders fell from \$41.5m in June to \$18.6m in July.

The latest figures mean that total orders in the first seven months of the year at \$997.2m have fallen about 50 per cent compared with the same period last year.

Mr. James Gray, the association's president, said the July decline had been expected in view of the continuing recession and added that economic conditions were not conducive to a return of confidence or buying enthusiasm.

Officials of the United Steelworkers Union have agreed to consider proposals by the major U.S. aluminium companies to alter the current three-year contract, which is not due to expire until next May. But the industry's request for talks has been rejected by the other union involved, the Aluminium, Brick and Clay Workers International.

The three main companies—Aluminium Company of America, Reynolds Metals and Kaiser Aluminium—will be putting their proposals to the Steelworkers Union this week. On Friday, leaders of the aluminium locals will vote on whether to make concessions to ease the industry's current problems.

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Party admits shortages and dissent in nationwide telex. Christopher Bobinski reports Poland steels itself for anniversary protests

GENERAL Wojciech Jaruzelski's problems controlling Poland's working class would be greatly eased if people's everyday needs could be satisfied and shortages could be reduced.

This is the official Communist Party view, circulated last week as the military Government steels itself for today's second anniversary of the Gdansk Agreements which led to the formation of the Solidarity union movement.

It was the overriding message contained in an official telex sent around the country from a provincial party headquarters, which also admitted widespread activity by Solidarity supporters. Over the last two years, rank-and-file Party members have been demanding more information of what is going on and reports like this are sent out by the Central Committee every day.

In this particular case, Party members were informed last Thursday that "even though appeals for people to take part in hostile demonstrations are meeting with scant success, they do, however, give rise to an atmosphere of anxiety and fear as to the way things might develop and more often than

not they heighten tension. There are still cases in many provinces of hostile propaganda activity in the form of slogans (on the walls) leaflets and bulletins. Many of them contain calls for people to demonstrate on August 31 by going on marches, assembling or going to Church services," the telex says. More concretely, a growth in tension among workers is reported in the province of Poznan, Tarnobrzeg in the south east and Zielona Gora in the west. This is put down to people reading leaflets, and listening to Radio Free Europe, the Munich-based U.S. funded

radio station and passing the information among themselves. Intriguingly, the situation in Lublin Province is described as "calm" although the telex says this is "probably being simulated." It is also laconic about Wrocław, where fighting has broken out in past months, and says no more than that the situation there "is difficult in a number of factories in the town and surrounding area."

In Poznan, however, where the document says Solidarity Radio went on the air for ten minutes last Tuesday, calling for demonstrations today

of manoeuvre of any future unions by saying that they would be "independent of the administration" meaning the government, and thus by implication not of the Communist party. He called for calm and implied that the authorities would crush any demonstrations. Meanwhile, on Sunday, church congregations heard a bishops' letter which called for a resumption of talks with Solidarity.

"there are no indications that there will be strikes and demonstrations in the factories." The authorities are expecting trouble, however, even in small towns. As the telex says, leaflets have been distributed in Szczytno (23,000 inhabitants), calling for a mass meeting in the local square.

In Krakow, the telex says Solidarity supporters put up a memorial plaque commemorating the Gdansk agreements in the town square. "It was taken down an hour later without any incident."

In Warsaw, Party activists were expecting bus drivers to

refuse to go out on to the road on August 31, using the poor state of their tyres as an excuse.

The telex notes that indeed 3,000 tyres used on Warsaw buses are exceedingly worn. In Olstyn leaflets calling on workers from the Stomil works to march to the former union headquarters have been distributed. The telex says marches are also being organised in Radom.

But throughout the country, the telex says, the basic topic of conversation is the unsatisfactory state of supplies of food and durable goods in the shops and the rise in the cost of living.

In Tarnobrzeg "the queues for meat begin to form at 3 am and 4 am in the morning. There are also queues for children's footwear."

Speculation, the telex says, is uniformly unpopular. At the Gdansk Lenin Shipyard the two themes in the document of agitation by "hostile elements" and day-to-day economic problems come together.

Air of impermanent peace hangs over vulnerable Bekaa Valley

BY PATRICK COCKBURN IN JERUSALEM

THE BURNT-OUT remains of two Syrian armoured personnel carriers mark the Israeli army's forward line in the Bekaa Valley in eastern Lebanon. Aside from them, there is little else to mark where the two armies are waiting to see if Mr. Menachem Begin, the Israeli Prime Minister, will try to evict by force the 30,000 Syrian troops from the third of Lebanon they still hold.

In the first week of the war, the Israelis burst into the south of the Bekaa, the northern extension of the great rift valley which runs down to the Red Sea. After savage fighting around Lake Qaraoun at the southern tip of the Bekaa in June, they forced back the Syrian armoured brigades to a position some 20 km south of the Beirut-Damascus highway. Empty Syrian bunkers, dug into the mountainside, still gape beside the road.

There has been no serious fighting in the Bekaa since that time. A little north of the village of Joub Jannine, the Israelis hold a half-completed hospital, built on a low hill in the centre of the plain. Bulldozers are at work heaping up the ramparts.

while a few Israeli Merkava tanks squat behind the hill. A mile or so away, across an open field, where a large herd of black goats graze, the Syrians hold the village of Ghazze, from which rises the white spire of a minaret undamaged by periodic bombardment.

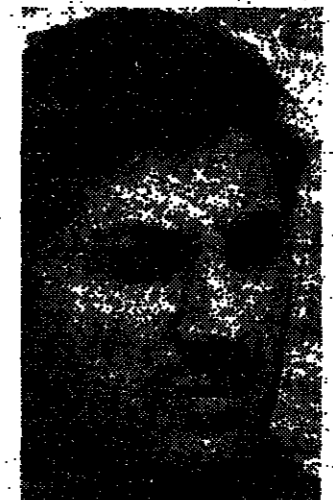
While the ceasefire holds, the Israeli lines have a lackadaisical air. Joub Jannine is decorated with Lebanese flags, and posters of the youthful features of Mr. Bachir Gemayel, the newly-elected Lebanese President, though nobody has yet to remove the more glibly blown pictures of Ayatollah Khomeini. Israeli soldiers hitch-hike back wards and forwards from their units, their freedom of movement indicating that guerrilla activity against them is considered negligible. Yesterday, however, an Israeli soldier was injured by a landmine a mile to the east of Joub Jannine.

The Israeli Government has said that the Syrians are reinforcing their positions. Front line troops say they have seen nothing of this, though Gen. Mustapha Tlass, the Syrian Defence Minister, confirms that

he is despatching reinforcements to Lebanon. It is doubtful, however, if more Syrian tanks and infantry will make much difference to the military position in the valley. For the Syrian armoured brigades, it is a death trap. The Bekaa is more like a vast canyon than a valley, seven or eight kilometres of flat land and then the mountains soaring up to over 6,000 feet to the west.

The Syrian positions are all overlooked by Israeli observation posts on Jabal al Barouk on the western side of the valley. From a half-completed ski resort on the mountain top, Israeli soldiers can see the whole valley laid out at their feet, like a big-scale map. Even the Syrian hill positions on the opposite side of the Bekaa protecting Damascus are overlooked.

In addition, Israel has total air superiority. After crossing the Bekaa valley, the Beirut-Damascus road enters a narrow defile on its way to the Syrian capital. This will be immediately closed by Israeli shelling or bombing in the event of a renewed war. The Syrians would have to re-



Bachir Gemayel... posters in place but Khomeini yet to be removed.

treach north up the Bekaa Valley, along the narrow road past the temples of Baalbek, or into the steep hills covering Damascus. Heavy casualties would be inevitable.

For the moment, there is a phony-war atmosphere. The people of the Bekaa, mainly farmers, pass along the road between the two sides. But the armies are very close, and their positions very vulnerable to artillery and air attack. The present peace has an air of impermanence, which nobody expects to last for very long.

Australian public servants charged over fraud case

BY MICHAEL THOMPSON-NOEL IN SYDNEY

A SENIOR public servant was suspended in Perth yesterday and charged as the officer responsible for the alleged involvement of the Attorney-General's department in the spread of tax fraud.

Mr. Peter Massie, the Perth deputy Crown Solicitor, together with Mr. Sean O'Sullivan, his principal legal officer, and Mr. Abraham Bercove, were suspended and charged. The charges will be heard by the chief officer of the attorney-general's department in Canberra.

Their suspensions are the first serious action taken by the Government following last week's report by a Royal Commission inquiring into the affairs of the Australian Federated Ship and Painters and Dockers Union.

In addition to cataloguing the union's history of murder, mayhem and mailings, the report uncovered a decade of bureaucratic bungling which had led to the proliferation of tax-avoidance schemes throughout Australia.

Much of the blame has fallen on the Crown Solicitor's office and on the Attorney-General's department. The Royal Commission claimed that Mr

O'Sullivan deliberately stalled investigations of tax avoidance, and alleged that Mr. Bercove ran a call girl racket from the Crown Solicitor's office in Perth. The opposition Australian Labour Party (ALP) criticised yesterday's action as inadequate. It said Mr. Massie was "comparatively small fry" and demanded disciplinary proceedings higher up the hierarchy.

The Labour Party believes, tax avoidance and evasion in Australia is costing up to A\$7bn a year (£3.9bn). Last week's report found that the country had suffered a "major fraud on its revenue" between 1973 and 1980.

The scandal has gravely embarrassed the government of Malcolm Fraser, Prime Minister, and neutralised any chance of his calling a snap general election to capitalise on the campaigning aspects of his August 17 budget.

The cabinet meets in Adelaide this morning to discuss retrospective legislation which it hopes will recoup lost taxes. However, the federal executive of the Liberal Party indicated late last week that it objected in principle to retrospective laws.

Mexico promises oil as security for BIS credit

BY PETER MONTAGNON IN LONDON AND WILLIAM CHISLETT IN MEXICO CITY

MEXICO has pledged some of its 72bn barrels of oil and gas reserves as well as its holdings of International Monetary Fund Special Drawing Rights (SDRs) as security for the \$1.85bn emergency credit it is receiving from the central banks of leading industrial nations.

Details of the pledges were not disclosed, but it is understood that legal wrangling over the use of oil as a security for the credit was the main reason behind the delay in finalising the operation, which was only completed on Sunday.

Bankers said yesterday they hoped the finalisation of the three month credit, which can be extended for up to a year, will go some way towards alleviating Mexico's acute shortage of foreign currency.

Recent days it has been virtually impossible for the private sector to obtain dollars in Mexico, even at the preferential rate of 49.50 pesos.

Meanwhile, the advisory committee of commercial banks spear-heading debt rescheduling talks with Mexico, reported to other bank creditors that Mexico's request for a three-month moratorium on principal

repayments, amounting to some \$10bn, had met with a good response from the banking community generally.

But in a telex to other banks, the committee, whose number has grown to 14 through the inclusion of Swiss Bank Corp and Deutsche Bank, urged banks that have not replied formally to the Mexican request to do so quickly.

The U.S. Federal Reserve is providing half the \$1.85bn credit from central banks with the remainder being made available by the Bank for International Settlements with the guarantee of other leading industrial countries.

Main participants are the Bank of Spain with \$175m, West Germany, Canada and Japan with \$150m apiece and the UK with \$140m. The remainder is guaranteed by the central banks of Switzerland, France, the Netherlands, Sweden, Belgium and Italy.

The credit can be drawn in three instalments in line with Mexico's progress towards an agreement with the IMF allowing it to draw some \$4.5bn over the next three years. It is intended as bridging finance until this IMF credit becomes

Iraqis bomb Iranian oil terminal

By Our Foreign Staff

IRAQI AIRCRAFT bombed Iran's oil terminal on Kharg Island yesterday, setting it ablaze and inflicting heavy damage on oil installations, an Iraqi military spokesman said in Baghdad.

The spokesman said the operation was in retaliation for Iran's shelling of Iraqi cities. Iran's oil exports have been more than halved following Iraq's earlier attacks on Kharg Island and its warnings to tankers to keep clear of the area. The Middle East Economic Survey (MEES) reported on Sunday.

The well-informed weekly, based in Nicosia, said Iran's total exports had dropped to about 500,000 barrels a day, compared with a peak of 2m b/d in July.

"Damage to the Kharg facilities might have been relatively light, but the uncertainty created by the raids and Iraq's repeated warnings had frightened off many tankers and caused steep rises in freight and insurance rates, MEES said.

Total freight and insurance costs for Iranian crude could work out at something like \$8.25 to \$8.55 a barrel, compared with about 80 cents a barrel for other Gulf crudes, MEES said. An Iraqi rocket attack on August 18 put out of action a loading facility fairly close to Kharg Island.

This was capable of accommodating tankers of up to 200,000 tonnes. The attack caused damage which would take two or three weeks to repair.

Kim Fund adds from Caracas: Mexican oil exports will not exceed an average 1.4m b/d this year, Mexican officials have told the Venezuelan Government.

These assurances were made to Sr. Humberto Calderon Bert, the Venezuelan Energy Minister, by his Mexican colleagues, Sr. Jose Otazu.

Portugal to open currency market. PORTUGAL'S first foreign exchange market will open in October according to Sr. Walter Marques the Secretary of State for the Treasury, writes Nana Smith.

The market, supervised by the Bank of Portugal, will be developed in four stages over the next three years. The language was very moderate, and the major laws passed by the last Parliament nearly all had the implicit or open support of the Socialists.

These included the law harmonising regional autonomy, still contested by the main nationalist parties, and suspended pending an appeal to the Constitutional Court, the reform of military justice—a law permitting divorce, and anti-terrorist legislation permitting controversial police detention powers.

The sole major disagreement arose over membership of Nato earlier this year. Significantly, Sr. Felipe Gonzalez, the Socialist leader made it clear over the weekend that the Socialists would call a referendum on Nato membership.

Spanish poll date aims to thwart opponents

BY ROBERT GRAHAM, IN MADRID

THE SPANISH Parliament was formally dissolved yesterday as the first stage in preparations for the general elections on October 28.

The dissolution of the second democratically elected parliament since the death of Gen. Franco in 1975 was announced on Friday by the Sr. Leopoldo Calvo Sotelo, the Prime Minister.

Although the move had been widely expected, many deputies of all parties believed that the 350-seat Parliament would reconvene, albeit briefly, after the summer recess to tie up outstanding business. The principal business excluded are the statutes for the autonomy of four regions—the Balearic Islands, Castilla-Leon, Extremadura and Madrid.

The biggest polemic provoked by Sr. Calvo Sotelo's decision surrounds the projected visit of the Pope, due to take place from October 14-22 in the

middle of the election campaign. If the visit proceeds it will inevitably become more than a pastoral occasion. The Pope's known conservative views on the family, abortion and education risk stirring up a debate which has never been seriously touched upon since the establishment of democracy—the relationship between Church and State. For instance, one of the laws which was dropped from parliamentary legislation because the ruling Union de Centro Democrático (UCD) could not agree among themselves concerned university autonomy. This law, which must be tackled, touches on the highly sensitive issue of State support for private and Church-controlled higher education.

The Communist Party, the Socialist Party and the recently formed Democratic Centre Party (CDS) of Sr. Adolfo Suarez, the former Premier,

have all criticised the election date because of its coincidence with the Pope's visit. Whether or not the UCD hopes to profit from the visit by emphasising the dangers of a Socialist victory for the values of Catholic Spain is open to question. But this is certainly the critics' suspicion.

Sr. Calvo Sotelo's main consideration in opting for October 28, effectively the earliest date possible under the constitution, has been to prevent the groups which have deserted the UCD in recent months from consolidating themselves as parties. In fact, some see in the move an element of personal vendetta against Sr. Suarez and his new party which desperately needs extra time to organise. This is the party likely to do most damage to the UCD at the polls.

Sr. Calvo Sotelo also faced the purely practical consideration that his parliamentary majority was completely eroded.

To permit Parliament to resume business after the summer recess would only have harmed the UCD further.

According to the electoral timetable, parties will have until September 14 to form coalitions. The existing law favours coalitions, and three of the four parties that have formed from UCD desertions will need to find partners. The UCD will probably accept an alliance with the newly formed Liberal Party of Sr. Antonio Garrigues.

Walker—the Christian Democrat party of Sr. Oscar Alzaga (PPD) will probably ally with the Right-wing Alianza Popular of former Franco Minister Sr. Manuel Fraga. But Sr. Suarez insists he will stand alone with his CDS, while the Socialists, tipped by the polls to win, want to stand alone, reserving the option to make deals later.

The Socialists are expected to place most emphasis on a change

of style in Government, rather than on radical reforms of the like proposed by their opposite numbers in Greece and France. The language at their last Congress was very moderate, and the major laws passed by the last Parliament nearly all had the implicit or open support of the Socialists.

These included the law harmonising regional autonomy, still contested by the main nationalist parties, and suspended pending an appeal to the Constitutional Court, the reform of military justice—a law permitting divorce, and anti-terrorist legislation permitting controversial police detention powers.

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Textile exporters face split

BY BRIJ KHINDORIA IN GENEVA

THE EUROPEAN Economic Community's tough attitude towards developing countries' textile suppliers could prevent those countries from obtaining sufficiently to squeeze more concessions from the EEC next month.

The Third World's main exporters of textiles and clothing began week-long talks in Geneva yesterday on the Multi-fibre arrangement (MFA), concluded last December.

Several delegates emphasised the urgent need for developing countries to reach a unified front before the final phase of bilateral negotiations with the EEC starting next month to reach separate agreements on exports to the Community under the MFA, the world textile agreement.

But about 14 countries have already signed such bilateral agreements, increasing the isolation of the large exporters—Hong Kong and South Korea.

Dissension has appeared in the Third World partly because

of suspicions that the large exporters might be using smaller exporters, which have fewer quarrels with the EEC, to strike deals favourable to themselves while neglecting the interests of others.

It is thought Hong Kong, South Korea and Singapore have started to reduce the size of their textiles and clothing industries as they move to sophisticated exports such as electronic goods to fuel the next step forward in their industrialisation.

In contrast, textiles and clothing remain key growing sectors in such countries as India and Brazil which may have preferred more flexible positions in negotiations with the Community, were it not for the desire to maintain Third World solidarity.

The main complaint by Hong Kong and South Korea against the EEC is that it is trying to increase the size of quota reductions. The main complaint of other exporters is against the Community's "anti-surge"

mechanism, which would prevent large jumps in exports from one year to the next. They also oppose the Community's insistence on placing import curbs without providing justification beforehand.

The Community has threatened to pull out of the MFA if Hong Kong and South Korea do not accept large cut-backs.

The Third World exporters said yesterday they are determined to force next November's ministerial conference of the General Agreement on Tariffs and Trade (GATT) to move against the MFA. They argue that the MFA has already lasted more than a decade, although it was a temporary derogation from GATT's free trade rules. To make matters worse, the Community is departing even from the MFA's already restrictive terms, they add.

Developing countries would also like the ministers to prevent MFA-style agreements from spreading to other industrial sectors such as steel.

Martinair postpones Airbus plan

Martinair, the Dutch charter airline company, said it has postponed for two years the purchase of a third Airbus A-310 from Airbus Industrie in France, previously scheduled for 1985, AP-DJ reports from Amsterdam.

The postponement has been made in the light of persisting stagnation in the world airline industry, the company said.

Delivery of the first two Airbus A-310s will go ahead on schedule during 1984 said Martinair.

The company added it has ordered a second U.S. DC-9 type 82 aircraft from McDonnell-Douglas for delivery in April 1983.

Pan Am shelves flights

Pan American World Airways will suspend flights to Bangkok and Karachi on October 31 as part of a worldwide route reorganisation to return the airline to profitability, a Pan Am official said yesterday, AP reports from Bangkok.

The suspension was temporary, he said, with Pan Am officials hoping to resume flights to Bangkok when the airline returned to profitability.

ICL wins £2m order

About £2m-worth of British-made computer equipment is being bought by the Abu Dhabi national oil company (ADNOC), one of the world's leading oil producers.

The order, signed with London-based International Computers Limited, includes an ICL 2966 computer, destined for the Abu Dhabi Marine Operating Company. The first of its kind to be installed in the Gulf, the 2966 is due to be operational by the end of the year.

Romania BAC aircraft unveiled

THE FIRST BAC 1-11 airliner assembled in Romania under licence from the British Aerospace Corporation (BAC) was unveiled on Friday, Reuter reports from Vienna.

A contract for assembling 22 of the planes with British-supplied parts was signed in 1979.

After production ends, Romania will make the aircraft on its own with engines supplied by the Rolls-Royce company.

Guy de Jonquieres reports on leading computer suppliers

Data processing revenues fall by 2%

THE NORMALLY buoyant Western European computer market has sagged recently due to the recession, according to the results of a survey carried out by Logica, a London computer consultancy, and published by the U.S. magazine Datamation.

The survey finds that the overall data processing revenues of the 25 largest computer suppliers fell by 2 per cent to \$23bn (£13.2bn) last year after growing by almost 20 per cent in 1980.

Eleven of the companies suffered a fall in European revenues, measured in dollars, against only one (Memorex of the U.S.) in 1980. They included International Business Machines, whose revenues of \$8.8bn accounted for more than a third of the total.

But the gloominess of the picture is exaggerated by use of the dollar as a yardstick, since it was rising against many European currencies last year. The performance of most European companies appears better when measured in their national currencies.

Moreover, though the market for large computers stagnated last year, several other types of product were in strong demand. The fastest-growing markets were for computer graphics, office automation equipment and minicomputers.

Measured in dollars, seven of the 10 fastest-growing computer companies last year were American. They were led by International Telephone and Telegraph, whose data processing revenues rose by 47 per cent. Digital Equipment (up 38 per cent) and Wang (up 34 per cent).

But measured in national currencies in which individual companies report, the order changed considerably. Six European companies featured among

EUROPE'S TOP COMPUTER EXPORTERS				
1981 Rank	Company	Parent Company HQ	European DP rev 1981 (\$m)	% change DP rev FY '80-'81 (in \$)
1	IBM	U.S.	8,846	-6
2	Cit-Moneywell Bull	France	1,311	-9
3	Siemens	W. Germany	1,296	-15
4	Digital Equipment	U.S.	1,162	+38
5	ICL	U.K.	1,067	-11
6	Olivetti	Italy	1,006	+15
7	Sperry Univac	U.S.	850	+13
8	Control Data	U.S.	745	+0.1
9	Philips	Netherlands	750	-
10	Burroughs	U.S.	742	+1
11	NCR	U.S.	728	-10
12	Nixdorf	U.S.	678	-4
13	Hewlett-Packard	U.S.	604	+8
14	CIT Alcatel	France	556	+13
15	Honeywell Infor. Systems	U.S.	497	+1
16	Thomson-CSF	France	460	-7
17	ITT	U.S.	233	+47
18	Rank Xerox	U.S.	219	-14
19	Ferranti	U.K.	213	+39
20	Kiende	W. Germany	207	+29
21	Datsaeb	Sweden	203	+5
22	Plessey	U.K.	201	+25
23	Wang	U.S.	201	+3
24	Data General	U.S.	171	+34
25	Memorex	U.S.	158	+0.6

n/a Not applicable. * Not available. † Estimates.

Sources: Datamation/Logica

the top 10, headed by Olivetti, with a 52 per cent revenue growth.

No Japanese company qualifies for inclusion among the top 25 largest computer companies operating in Western Europe. At present Japanese companies selling large computer companies in Europe, notably Fujitsu and Hitachi, rely on distribution agreements with companies including ICL, Siemens, Olivetti and BASF.

A new entrant to the top 25 is Philips of the Netherlands, for which revenue figures were not available for last year's survey. It occupies ninth place,

according to Datamation, "revealing itself to be a much more powerful force in the European data processing world than a lot of people expected."

Datamation suggests that uncertainties arising from the Mitterrand Government's decision to nationalise France's major computer companies has caused serious damage to their business, which will take some time to repair.

"Management has had little incentive to draw up strategy plans, and foreign customers have hesitated before buying their goods. U.S. and Japanese competitors did not miss this

chance to make marketing inroads. The French concerns, as a result, will have considerable ground to make up."

The Datamation / Logica annual survey was launched last year. The latest survey is based on reported and estimated results of major companies in 17 Western European countries for calendar year 1981.

The survey included revenues from mainframe computers, mini-computers, microcomputers, terminals and peripherals, software, services, word processing equipment and data communications equipment.

Turkey moves on T-shirt war

BY METIN MUNIR IN ANKARA

MR SERMET PASIN, the new Turkish Minister of State for external economic relations, said he was planning a visit to Brussels at the end of September to resolve the "T-shirt war" between Turkey and the EEC.

Mr Pasin said, in an interview, that as associate member of the community Turkey expected to be treated "better than other countries."

"It could not tolerate the ban placed on the import of Turkish T-shirts and similar knitted ware by the EEC."

The ban, which the Com-

munity said was imposed to curb the flood of T-shirts, was introduced at the end of last month and will remain in effect until October 15. Turkish exporters claim their losses could be as much as \$300m (£172m) and the damage to the clothing industry, the country's fastest growing, could be incalculable.

"I believe we can reach some sort of an agreement," said Mr Pasin. "However, if the ban continues we will have to retaliate."

Earlier this month the Community lifted tariffs on Turkish cotton yarn and Turkey

reciprocated on EEC steel exports after agreement was reached for Ankara to limit its yarn exports to the EEC to 75,000 tons per annum.

Mr Pasin believed that one of the causes of the problems between Turkey and the EEC lay in the fact that since September 1980 Turkey has been under military rule. In Brussels he would explain that the generals intend to fulfil their promise to restore parliamentary rule by 1984.

"My purpose is to elevate Turkish-EEC relations to the optimum in this transition period," said Mr Pasin.

Toshiba signs E. German technology deal

By Leslie Collett in Berlin

TOSHIBA has signed a contract with East Germany's Industrie-Anlagen-Import for the delivery of equipment and technology worth DM 82m (£19.1m) for an East German plant which is to produce hi-fi equipment.

The Japanese Export Import Bank provided a loan of the same amount to the East German Foreign Trade Bank which the East German news agency said was provided on "advantageous conditions."

Toshiba will deliver machinery and technology, produce radios and cassette recorders and buy back East German mechanical and electrical engineering products to the same value.

World Economic Indicators

TRADE STATISTICS		July '82	June '82	May '82	July '81
UK £bn	Exports	4,546	4,475	4,425	n/a
	Imports	4,380	4,482	4,740	4,307
	Balance	0,166	-0,007	-0,115	-
U.S. \$bn	Exports	18,822	18,218	17,843	19,750
	Imports	21,510	20,153	17,387	22,005
	Balance	-2,688	-1,935	+0,456	-2,255
Japan Yen bn	Exports	2,785	2,752	3,003	2,787
	Imports	2,500	2,537	2,786	2,583
	Balance	+285	+215	+217	+204
W. Germany DMbn	Exports	36,194	35,580	36,500	32,362
	Imports	31,426	30,158	33,060	30,489
	Balance	4,768	5,422	3,440	1,873
France FFrbn	Exports	55,40	51,85	53,38	51,54
	Imports	67,18	54,77	61,43	53,42
	Balance	-11,78	-2,92	-8,05	-1,88
Italy Lire bn	Exports	8,039	8,847	8,933	6,192
	Imports	9,950	10,143	10,040	9,064
	Balance	-1,911	-1,296	-1,107	-2,872
Belgium BFRbn	Exports	184,05	202,54	218,76	161,19
	Imports	202,82	228,44	254,85	176,27
	Balance	-18,77	-25,91	-36,09	-15,09

Source: OECD, UK Dept. of Trade.

SHIPPING REPORT

Kharg Island bombing hits tanker market

BY HAZEL DUFFY

THE BOMBING raid by Iraqi forces on the Kharg Island terminal produced a flurry of activity in the tanker market last week. Brokers reported a fixing of Worldscale 70 on a VLCC from Kharg Island to the West.

But the big increase in cargo war risk rates at the end of last week was expected to act as a deterrent to owners lifting cheaper Iranian crude.

E. A. Gibson reported that a more accurate picture of the tanker market was to be obtained from the fact that

Gulf chartered a 220,000-tonner loading at Kuwait for Worldscale 19.75. The broker anticipates, however, that rates will tend to harden as the availability of large ships in the area continues to be depleted, assuming the increase in the rate of enquiries on behalf of charterers lifting out of non-Iranian ports increases, as expected.

Another broker, Galbraith Wrightson, reports rates moving up slightly on the UK Continent area, and believes the prospects are about right for the UK and European to

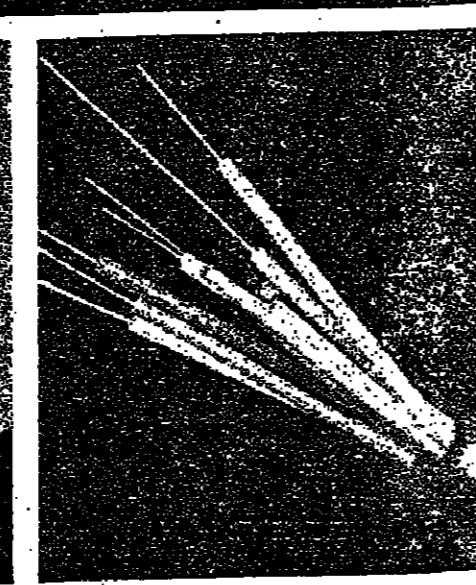
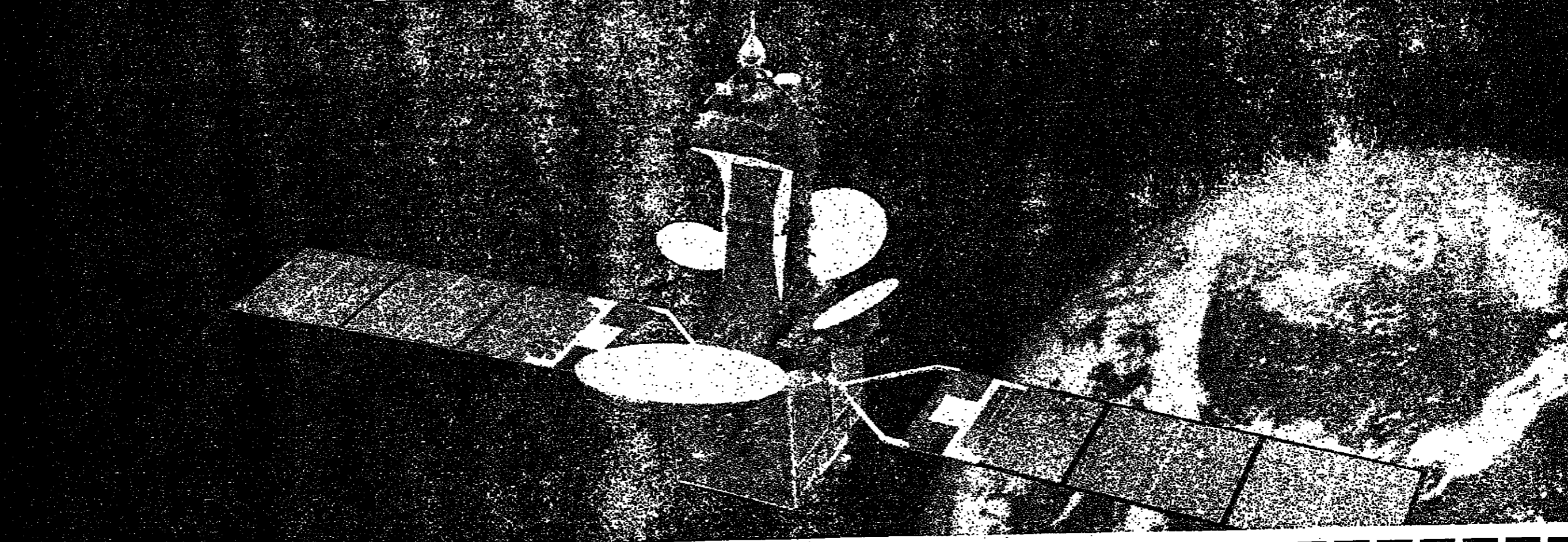
U.S. cargo business to advance further this week. No great improvement in demand is reported from the Indonesian and West African markets, with a 130,000-tonner being fixed out of Indonesia to the Bahamas at Worldscale 20.

Dry cargo fixtures in the past week are reported to have been at "depressing" rates, although one broker says there is just a hint that the Gulf/Continent rate, for instance, may have bottomed out as several prominent grain charterers are in the market for consecutive Gulf/Continent.

H. P. Drewry says in its latest edition of Shipping Statistics and Economics that there is now a strong suggestion that dry cargo rates have fallen to a level where the decline must bottom out.

This is because they seem to have reached the point where owners would have to consider the laying up of tonnage as a less costly alternative to trading. It is thought charterers are unlikely to be able to force rates much lower without significant losses to the active fleet.

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UK NEWS

BL and Vauxhall-Opel to cut discount to dealers

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL AND Vauxhall-Opel, the General Motors subsidiary, are to follow Ford's example by cutting the discount they give their dealers on new cars.

Ford cut its main dealer margins from 18.5 per cent to 17 per cent in April as part of its heavily promoted "product and price re-alignment programme".

Neither of its main UK-based competitors followed, but BL warned at a dealer conference in May that it might be forced to.

Austin-Rover, BL's volume car offshoot, and Vauxhall-Opel will make product changes next month and will take the chance to reduce dealer margins on some models.

The reductions are likely to be spread throughout the Austin-Rover and Vauxhall-Opel ranges early next year. The UK-based manufacturers are attempting to bring nominal

car prices in Britain closer to those listed on the Continent.

They have held their prices steady for much longer than would be expected with inflation at about 7 per cent annually.

They have begun to squeeze their component suppliers, urging them to cut costs and reduce prices. And dealers are being told they must bear part of the load.

In the past manufacturers have restricted cuts in dealer margins to low-cost models. Austin-Rover gives only 14 per cent on the most inexpensive Metro, 17 1/4 on the top-priced ones, and 18.4 per cent on other Austin-Rover cars.

Once Ford led the way with across-the-board cuts in its margins, the other manufacturers were bound to follow, given Ford's influence on the UK market with its 30 per cent-plus share.

Dealers will have difficulty putting up objections. In the current scramble for sales they have been giving discounts — often substantial — to any new-car customer who cares to ask.

A spokesman for the Motor Agents Association said at the weekend: "Naturally we are concerned about any erosion of the dealers' margins. But I fear that, because of the tough market, the dealers have been giving a lot away already."

The manufacturers' attempts to bring nominal car prices in Britain more into line with those on the Continent are designed not only to discourage unofficial imports of cars. There is a chance that early next year the European Commission could introduce regulations that tax-free prices for any particular car should not vary by more than 12 per cent between one EEC country and another.

Where container traffic has led to growth

Andrew Fisher looks at a port where profits have soared and £32m has been spent on expansion

PORTS IN BRITAIN Felixstowe



Felixstowe—port of the £32m development.

berths, but not all in the right place. If the right opportunity came up, the port could expand into other activities. This would only be into "clean, tidy cargoes" such as grain rather than heavy engineering products.

But it is containers that make Felixstowe tick right now. Last year, it handled nearly 350,000 of them — a rise of more than 40 per cent over 1980. Much of the growth in traffic, and thus profits, came from the new terminals.

While Felixstowe was forging ahead, one of its main competitors, Southampton in the centre of the south coast, was afflicted last year and for some of 1982 by costly labour disputes. These have died down now, so Southampton is likely to see its container volume move up sharply again.

A helping hand might, ironically, come from the C.Y. Tung Group which also plans to invest several million pounds in a venture with Southampton to re-equip two of its container berths. Mr Parker reckons this and the Tung investment in Felixstowe will be compatible. "I don't think it will affect operations in Felixstowe."

He says Felixstowe did not

benefit particularly from the labour upsets at Southampton, though it may have received some cargoes diverted from other vessels. "We were busy anyhow."

This year, with the new terminals going for a full year, Felixstowe's profits are likely to rise again. The port recently received a £30m with the decision of Hellenic Lines of Greece to operate entirely out of the Suffolk port and drop its long-standing link with London.

Felixstowe's nearness to the Continent means it is ideally sited for shipping companies which want to run so-called feeder services to and from continental ports like Rotterdam where their deep-sea operations may be based.

But, says Mr Parker, "we are getting more and more into the big league." He estimates that about 55 per cent of

Felixstowe's trade comes from routes to the Far East, India, the U.S. and Scandinavia. The rest comes from feeder and near-European traffic.

Apart from Sea-Land and Evergreen, its major users include United States Lines, OOCL (Orient Overseas Container Line) which is part of the Tung empire, K Line of Japan, Dart, Containerline owned by Tung and CMB of Belgium, Canadian Pacific which has a trading link with Dart, and West Germany's Hapag-Lloyd.

With the addition of the Dooley and Walton terminals to the older Landguard terminal, Felixstowe can now handle annually 750,000 container units or TEUs (20 ft equivalent units), the industry's standard measurement.

To move the containers in side the port, Felixstowe uses

gantry cranes on large rubber tyre wheels which lumber up and down the open blocks of stacked boxes lifting each one off its pile and on to a waiting lorry.

These are replacing the straddle carriers, which look like big yellow travelling bedsteads and used to move more freely about the port area. Felixstowe is spending about £8m on new container cranes and land resurfacing for container storage, as well as rail-mounted cranes for the Freightliner terminal.

The port also has a thriving passenger business, last year carrying 1.1 million people to services to Belgium and Sweden against 904,500 in 1980. Apart from Townsend Thoresen, with services to Zeebrugge, Tor Line operates to Gothenburg. Roll-on/roll-off freight is also important; traffic fell slightly in 1981 from 2.55m tonnes to 2.52m.

Although the port suffered from an overtime ban this year during pay talks, which ended with an 8 1/2 per cent increase and a profit-sharing scheme, its labour conditions are fairly harmonious. One reason, as Mr Parker sees it, is that only one union, the Transport and General Workers, operates there.

Felixstowe's 1,000 dockers are not in the national dock labour scheme, which effectively guarantees dockers jobs for life, though thousands in other ports have taken advantage of generous redundancy terms. Mr Parker sees no reason why they should be in the scheme, though some would like to. "We have an efficient working force. There's no reason why they shouldn't be in jobs all they are grey-haired old men."

South-East 'optimistic'

BY DAVID CHURCHILL

AN OPTIMISTIC survey of business prospects in London and the South-East is published today by the London Chamber of Commerce and Industry.

The Chamber's 22nd survey of manufacturing industry in the region suggests some "guarded optimism" about economic recovery, especially among small and medium-sized companies.

About 40 per cent of the 367 companies questioned reported increased orders. Only 22 per cent indicated a fall.

Sectors such as electrical engineering, chemicals and metals, instrument engineering, and rubber and plastics all showed increases in domestic

demand of 40 to 55 per cent. Production rose in 29 per cent of the companies surveyed but fell in 14 per cent.

The survey shows a slight fall in future confidence. About 38 per cent of the companies surveyed said they were more optimistic about the next few months, just under 25 per cent said they were less optimistic. In May about 43 per cent were optimistic, and 17.8 per cent pessimistic.

The chamber says the figures overall suggest that the performance of manufacturing companies in the region has been relatively stable and therefore modestly encouraging.

Esbjerg ferry service to start

By Hazel Duffy, Transport Correspondent

A TWICE-WEEKLY roll-on, roll-off service from Great Yarmouth to Esbjerg in Denmark will start in October, offering a 60 trailer vessel.

Portlink Ferries, based in Yarmouth, has been formed to run the new service by a consortium from the UK, Holland, and Denmark. It will offer a quay-to-quay service but will not become involved more extensively in freight movement. The major roll-on, roll-off ferry operator between the UK and Denmark is DFDS, which operates out of Harwich.

EEC to resume debate on regional aid distribution

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE Common Market regional affairs directorate returns to Brussels this week to pick up the pieces of a proposal rejected in the summer, which would have concentrated regional aid in the less-prosperous member countries.

The proposals were to reallocate the quota section of the European Regional Development Fund so that only the four "poor" members—Italy, Ireland, Greece and Britain—would have benefited. They failed largely because of opposition by France, supported by Belgium.

The Commission proposed that to maximise the benefit from regional aid fewer areas would be helped. In Britain this meant Yorkshire and Humberside and Devon and Cornwall, assisted areas, would have been excluded from European regional aid.

The Commission's directorate dealing with regional affairs meets again on September 9. It is unlikely that any new policy will emerge for at least a year.

When it does the likelihood is that at least token quotas will be available for every country, which will disappoint Britain since the UK stood to gain from the revised procedure.

The British Government was in favour of the principle of more concentrated assistance but, at the same time, did not want Yorkshire and Humberside or Devon and Cornwall excluded.

The Commission's failure to push through its proposal will, however, be welcomed in both English regions. They lobbied hard against the changes, pointing out not only the need to improve their infrastructure but also to undertake projects which would create work within their areas.

The weakness of the Common Market proposals was that they were based on unemployment levels existing in 1977.

Quota section aid should, the Commission suggested, be reserved for those regions suffering from serious structural problems as defined by gross domestic product per head and the rate of long-term unemployment.

Since 1977 both regions have suffered heavily and seen their unemployment figures rise sharply. At the September 9 meeting the Commission is likely to reaffirm its intention to achieve substantial concentration of regional aid in the less-prosperous areas.

Receivers consider offers for Carron Ironworks

FINANCIAL TIMES REPORTER

RECEIVERS FOR Carron Ironworks, Falkirk, Scotland, are examining the responses to their invitation for offers against a deadline which expired at 5 pm yesterday. Their reactions to the offers could be made public this week after they have "analysed the situation in great detail."

The workers whose more than 600 jobs are threatened by closure will have to wait several days, therefore, before discovering whether the 223-year-old company will be pulled from the brink.

Representatives from a French company were shown around the plant yesterday, hours before the deadline was due to expire.

The Scottish Development Agency, which has been holding talks with a management consortium, said: "We have spoken to a number of parties, some as late as Friday, and these include a number of companies and a number of consortia."

A consortium of eight managers at the plant had been trying to raise sufficient cash to make an offer for part of the

works, which would be attractive to the receiver. It is believed they are interested in the stainless-steel sinks and pressed-steel baths divisions. It was not clear whether the consortium made a bid yesterday.

Mr Harry Donaldson, a shop steward, said he hoped the receiver would give some indication of the future of the ironworks later this week. "The workforce will start to get frustrated if we don't hear what's happening. Our future depends on it."

Local representatives Mr Harry Ewing, Labour MP for Stirling, Falkirk and Grange-mouth, and Mr Martin O'Neill, Labour MP for Clackmannan and East Stirlingshire, are hopeful the company can be saved and are waiting anxiously for news.

Mr O'Neill said: "Hopefully somebody will make an attractive offer which will secure as much employment as possible."

Since the receivers were called in 122 jobs have been axed, reducing the total workforce to 615.

World steel-making falls to 30.8m tonnes in July

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

WORLD STEEL production last month dropped by 18.3 per cent compared with July 1981, to 30,804,000 tonnes, according to International Iron and Steel Institute-computed figures.

Total production for the first seven months of this year stood at 241,156,000 tonnes, a drop of 10.4 per cent on the corresponding period of 1981. The biggest change in the July 1981 to July 1982 period was in the U.S. There produc-

tion was down by 43.9 per cent. This drop was almost equalled by Canada, which suffered a reduction of 40.3 per cent.

In the EEC as a whole the decline was 17.3 per cent. This total included reductions of 21.3 per cent in Britain, 21.4 in Belgium, 19.8 in West Germany and 16.9 per cent in France. The Japanese steel industry suffered a 6.1 per cent drop in July output, compared with last year.

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HIGHLIGHTS FROM THE BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	(in DM million)	LIABILITIES	(in DM million)
Cash	570.7	Due to banks	25,443.5
Bills	238.0	Other creditors	6,656.5
Due from banks	23,917.5	Outstanding debentures	36,118.9
Treasury bills and other securities	4,361.6	Loans on a trust basis at third-party risk	9,668.0
Due from customers	41,855.6	Provisions	415.3
Loans on a trust basis at third-party risk	9,668.0	Nominal capital	700.0
Trade Investment	429.2	Declared reserves	1,386.0
Land and buildings	463.7	Profit	49.0
Other assets	1,491.6	Other liabilities	2,821.7
Assets of Landesbausparkasse (Building and Loan Association)	7,842.8	Liabilities of Landesbausparkasse (Building and Loan Association)	7,579.8
TOTAL	90,838.7	TOTAL	90,838.7

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Counting the cost of dying

THE COST of dying in Britain is as unpredictable as its timing, according to the Odd Fellows Friendly Society.

Wide variations between regions showed up in its annual survey of funeral costs. The price of a "cheap" funeral with cremation ranged from £230 in Exeter to £497 in London. Wales and the West country offered the most reasonable prices and London the highest.

Most prices were about £400, except in London. The addition of a headstone or plaque put the price up considerably.

Varied prices
Prices for individual services varied widely. Coffin prices ranged from £35 to £289. One Scottish undertaker, who was asked the price of his cheapest coffin, replied: "£50 for a pauper's coffin."

The society says savings can be made by obtaining estimates from several funeral directors well before there is any urgent need. Shopping around is not easy, however. Many funeral directors refused to give prices over the telephone. Many of those who did would not break costs down.

The survey says: "Most people who are arranging a funeral will be reluctant to go into detailed costings and will accept an overall figure based on the cost of the coffin."

The Exeter funeral, the cheapest detailed costing the survey could find, included: chapel of rest, £15; coffin, £35; hearse and four bearers, £28; limousine for mourners, £10; professional services, £60; cremation fee, £60; two doctors' certificates, £31; minister's fee and expenses, £17. Total: £259.

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Food industry's profits lowest for two years

By David Churchill, Consumer Affairs Correspondent

A SHARP fall in the profitability of UK food manufacturers is revealed in the latest survey by the industry, published by the Food and Drink Industries Council.

The survey, prepared for the council by the Institute of Grocery Distribution, shows that in the first three months of this year food manufacturers' profit margins fell to their lowest level for two years.

Moreover, the companies' profit margins in the first quarter of this year were some 44 per cent down on those in the third quarter of last year.

The survey of major food companies found that pre-tax profits as a percentage of sales in the first quarter of this year were 3.21 per cent compared with 4.63 per cent in the first quarter of last year. At its peak in the third quarter, the margin was 5.73 per cent.

This year's first-quarter figures are the lowest since the first quarter of 1980, when the profit margin was 2.22 per cent. On a seasonally adjusted basis, the profit margin in the first quarter of this year was 3.83 per

cent, against 5.30 per cent in the first three months of last year.

No profitability figures are yet available for the period since March, but few in the industry expect any major increase in profit margins this year. "A change in the present trend is unlikely in the immediate future," the council admits.

The decline in food companies' profitability has come as a disappointment to the industry after the improvement in the first nine months of last year. But the slump began in the November-December period, when the figures revealed the worst fourth-quarter result since 1978.

"We are seeing the re-emergence of a situation which became acute during much of the 1970s," says the council. "Difficulties in obtaining satisfactory sales prices are reducing profit levels just at a time when increased working capital is required."

In turn, borrowings have increased while interest rates are still high, resulting in further pressure on profit levels.

The council also puts some of

the blame for the industry's low profitability on pressure by retailers. Although the volume of retail sales index for food retailers in the six months to March 1982 remained steady, it points out, this was sustained only by low increases in food prices. For example, during that period the Grocer price index for processed foods rose by only 3.7 per cent.

"Distributors are able to ensure that a 'soft' market situation is reflected in the prices which manufacturers are able to obtain, and the lowering of manufacturers' profits is the consequence," the council says.

For the future, the council believes that "markets will remain difficult and cost pressures, particularly in the form of working capital requirements, are likely to remain higher than a year ago."

It points out that many of the price rises resulting from the recent EEC farm price settlement still have to work their way through the system. "It should be remembered that they were the highest support prices awarded for many years," the council adds.

Call for better measure of drug value

By David Fishlock, Science Editor

A call for more refined methods of measuring the impact of modern drug therapy on health has been made by the Office of Health Economics, think-tank of the British pharmaceutical industry.

It believes "health indices" may have a part to play in the assessment of medicines when they are first used on patients.

In a report just published the OHE finds that medicines developed over the last 20 years "have made a significant impact in improving well-being in subjective terms."

It claims its study is one of the "few systematic attempts to measure the benefits of treatment by drugs."

There is growing concern about the cost of medical care, and one way of justifying the rising expenditure is to demonstrate more clearly the benefits, it says.

One yardstick it uses for "quality of life" is the need to be in hospital for treatment. Between 1959 and 1979 the number of beds in British hospitals fell from 549,000 to 458,000.

The average length of stay in hospital in England fell from 30.1 days in 1965 to 20.9 days in 1977.

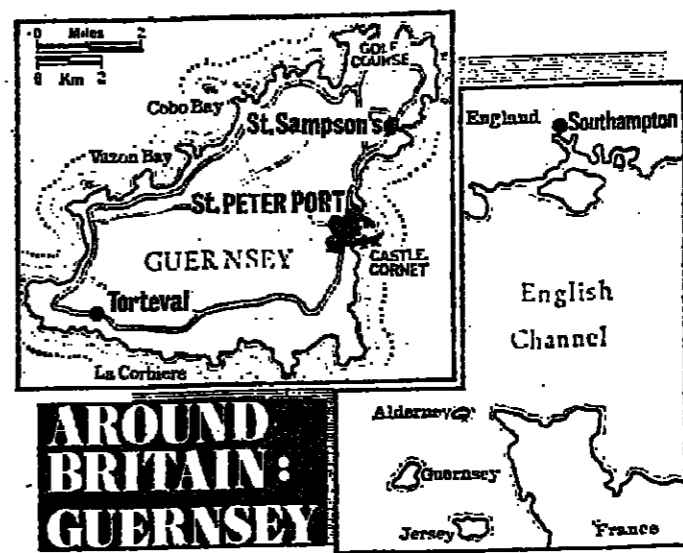
The biggest single factor was the decline in beds — 30,000 in 1952 to 625 in 1979 — for tuberculosis.

Another big reduction was made in beds for psychiatric patients — 154,000 in 1954 to 78,000 in 1979 — following the introduction of the drug chlorpromazine.

OHE Briefing 19 — Medicines and the Quality of Life. Office of Health Economics, 12 Whitehall, London SW1A 2DY. 50p.

No substitute for flowers

Willa Owen reports on plans for a broader-based island economy



light industry, to help local companies sell products in the UK and abroad, and to encourage expansion of existing businesses.

The department has received more than 350 inquiries. Four companies began operating by the end of last year. Another six started this year.

Meanwhile 42 businessmen have formed a self-help organisation, the Guernsey Exporters' Group. The association is a framework for the pooling of ideas and of experience in overseas markets other than the UK. It provides a corporate voice for the island's exporters.

Guernsey's chamber of commerce recently gave identity to the Manufacturing sector by launching a Made in Guernsey origin-mark, designed to show the world the island is a producer of goods as well as of tomatoes and holidays.

The chamber would like to see financial support from Guernsey's government, in grants or similar inducements for industrial investment. Department of Commerce and

BAe wins £3m Scots deal for Jetstreams

By Michael Donne, Aerospace Correspondent

THE FIRST British order for the British Aerospace Jetstream 31 twin turbo-prop small airliner has been placed by a Scottish company, it was announced yesterday.

In a deal (valuing £3m, Peregrine Air Service, an Aberdeen-based North Sea oil air charter company, is to buy one aircraft and discuss a contract for a second.

The first will be delivered in December and delivery of the second is scheduled for next February. Both will be the 15-seat commuter version.

British Aerospace has now made seven Jetstream 31 sales, with a further five options and an additional five reservations. Until yesterday, all the sales were to the U.S., West Germany and Norway.

The Jetstream 31 was originally designed by the former Hawker Siddeley aircraft company in 1965. But full production at the British Aerospace factory at Prestwick, Ayrshire, did not begin until last year. It won its certificate of airworthiness last June.

Output at Prestwick is being built up to at least 25 aircraft a year by 1984.

Mr Brian Thomas, managing director at Prestwick, described the deal as "particularly gratifying" and said: "It is very exciting when a Scottish aircraft manufacturer can look forward to a Scottish operator flying its aircraft through the support of Scottish financial institutions."

British Aerospace had now sold all the Jetstreams available for delivery this year and had made "reasonable inroads" into producing those available for delivery next year, he added.

Sails trimmed to weather storm

ANYONE who has ever messed about in boats knows that the name Hood is synonymous with quality. Hood is one of the best sailmakers.

But he is biased. He is joint managing director of Hood Sailmakers, of Lymington, the British arm of a company started in the late-1940s in New England by Ted Hood.

Hood mainly makes sails for the biggest and best boats, but the company's overwhelming association with the top end of the market perturbs Axford. "We make sails for middle boats and want people to know we can make for them as well," he says.

"We may be the Rolls-Royce of sailmakers but we will talk to anyone about their problems and we make sails down to racing dinghies. This is a very competitive business and we are very competitive in it."

Making sails is a highly specialised business. Ted Hood started in America where he saw a gap in the market. Later, because of frustration with his suppliers and the quality of the Egyptian cotton they were offering him, he began to weave his own cloth.

The company arrived in Britain in 1967 and Axford joined a couple of years later. The con-



Mr Bryan Axford, joint managing director of Hood Sails, on his yacht.

are proud of, but it is a profit, and by the standards of the rest of the industry it's not bad."

That profit has been made on a turnover of about £1.5m, of which 40 per cent comes from overseas. But turnover has been static for the past two or three years, which means that in real terms the company has slipped.

In normal times the U.S. parent expects to receive a royalty from Lymington. But the Americans have gone easy on royalties in the recession to keep their British arm in the black.

Because so much of the company's work is for the top end of the market Hood Sailmakers has been badly hit by the depression on the stock market. "Our customers tend to be particularly affected by the market, especially when many of the big boats are company owned."

Both companies and rich individuals have stopped building new boats and so we have been forced to rely increasingly on replacement work.

"We thought we might be pulling out of the recession this year. Perhaps we were too much influenced by what we read in the papers. But this year has been, if anything, even more difficult than 1981."

If there has been one change for the better, from the company's point of view, it is that it is easier to get young people to join the company.

In the middle 1970s Bryan Axford would put an advertisement in the local paper for weeks on end without getting a single reply. "Nowadays, one letter brings in between 30 and 40 replies."

"It is a very sad situation. Some of those who apply have been out of work for at least six months. Everyone who writes to us gets a reply, but we just do not have the work to enable us to take them on."

The keen desire to work for Hood Sailmakers does not only stem from the recession. A decade ago the company, like its competitors, paid under the national average. Today it offers rates comparable to those paid by other industry in the area.

Axford has not gone in for any of the schemes the Government has been pushing. "We have not employed anyone under the Youth Opportunity Programme, though I did consider it earlier this year. The Ministry was very interested at the time, of course. This winter, though, we might take on one or two, depending on our situation."

Anthony Moreton looks at the way a famous sailmaker is trying to cope with the effects of the recession

ern was built up to a staff of 60 to 65 but the recession has hit Hood, like every other company in the country, and it is now down to 51, of whom 35 are production people.

Surveying the Hamble river and across the Solent to Cowes Bryan Axford says: "This is the last corner of England to notice there is something called a recession."

"But it has got through at last and we have had to trim our production back. Since 1980 we have probably had a downturn of about 25 per cent and this year will certainly be lower than last year."

"Most of the rationalisation has come about. I am glad to say, through natural wastage and we have managed to stay profitable. It is not a profit we

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Neither is it a scene from the imagination of some science-fiction artist (although we commissioned one of Britain's finest sci-fi artists to paint it).

It is what you would actually see if the waters of the North Sea suddenly became invisible.

Silhouetted against a huge moon are the four giant production platforms that form the core of the Brent oilfield.

The Brent Field, operated by Shell, lies far out to sea, roughly halfway between Scotland and Norway, and about 100 miles northeast of Shetland.

The painting shows (from left) the production platforms Delta, Charlie, Bravo and Alpha, each towering well over 700 feet above the seabed in its steel, or concrete, socks.

They are built to withstand one-hundred foot waves and winds gusting up to 160 mph while continuing to collect oil and gas, 24 hours a day, from rock depths lying some two miles beneath the sea-floor.

Floating in the far distance (bottom right) is the drilling rig Stadrig, prospecting for oil in another part of the Brent Field.

And riding the invisible seas with contemptuous ease (top right) is the 23,000 ton semi-submersible, pipe-laying barge Semac I.

FLAGS: a major new gas-gathering scheme in the North Sea.

We used Semac I to lay one of the world's longest, largest, deepest undersea pipelines. (The painting shows the pipe being fed over the stern of the barge and trailing down to the seabed.)

The pipeline is the backbone of a major new North Sea gas-gathering scheme known to the oil industry as FLAGS: Far North Liquids & Associated Gas System.

It will enable us to bring ashore the substantial and hitherto untapped gas reserves of Brent and other oilfields in the northern North Sea.

The FLAGS pipeline, 36" across and made of steel coated with concrete, runs 280 miles along the seabed between the Brent Field and St. Fergus in Scotland.

Laying it was an astonishing feat.

The North Sea is no millpond. It is quite the most hostile stretch of water the oil and gas industry has ever tackled.

Much of the pipeline was laid in appalling weather: force 10 gales, thick fog rolling in the troughs between giant waves, zero visibility.

The FLAGS system will before long be supplying some 12% of Britain's gas needs. (The Brent Field already supplies about an eighth of Britain's oil.)

But neither statistics nor adjectives (nor the vastness of our operating costs) can ever give you a real sense of the scale and scope of our work in the North Sea.

The Brent Field: an offshore oiltown.

The Brent Field, for instance, does not simply consist of the four great platforms attended by a pipe-laying barge and a drilling rig or two.

Several other giant structures (like the floating oil-storage and loading facility, Spar) are nearby. And platforms may be attended by 'hotels' (floating hotels) and semi-submersible diving barges.

Tugs, tankers and supply boats ply the surface, the latter bringing in everything from drill-pipe, cement for well-casing and drilling mud, to food and fuel.

Under the surface, mini-subs and diving-bells are at work. While in the skies, helicopters constantly come and go,

bringing in vital tools and flying drilling crews and other technicians in and out.

Our platforms and rigs are crewed by over 3,000 men, who manage to tuck away well over 100 tons of food each week.

Power to keep the big platforms working is generated by turbines similar to those which fly large jet aircraft.

Computer banks continuously receive and process information about subsea oilwells and the many working functions of each platform, key data being relayed simultaneously to the platforms and Shell headquarters in Aberdeen.

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When we add up our chequebook stubs, our total investment to date works out at more than £4,000 million in 1981 money. Those figures double when you include the sums invested by us on behalf of our partners.

A conquest to rival the moon-landings.

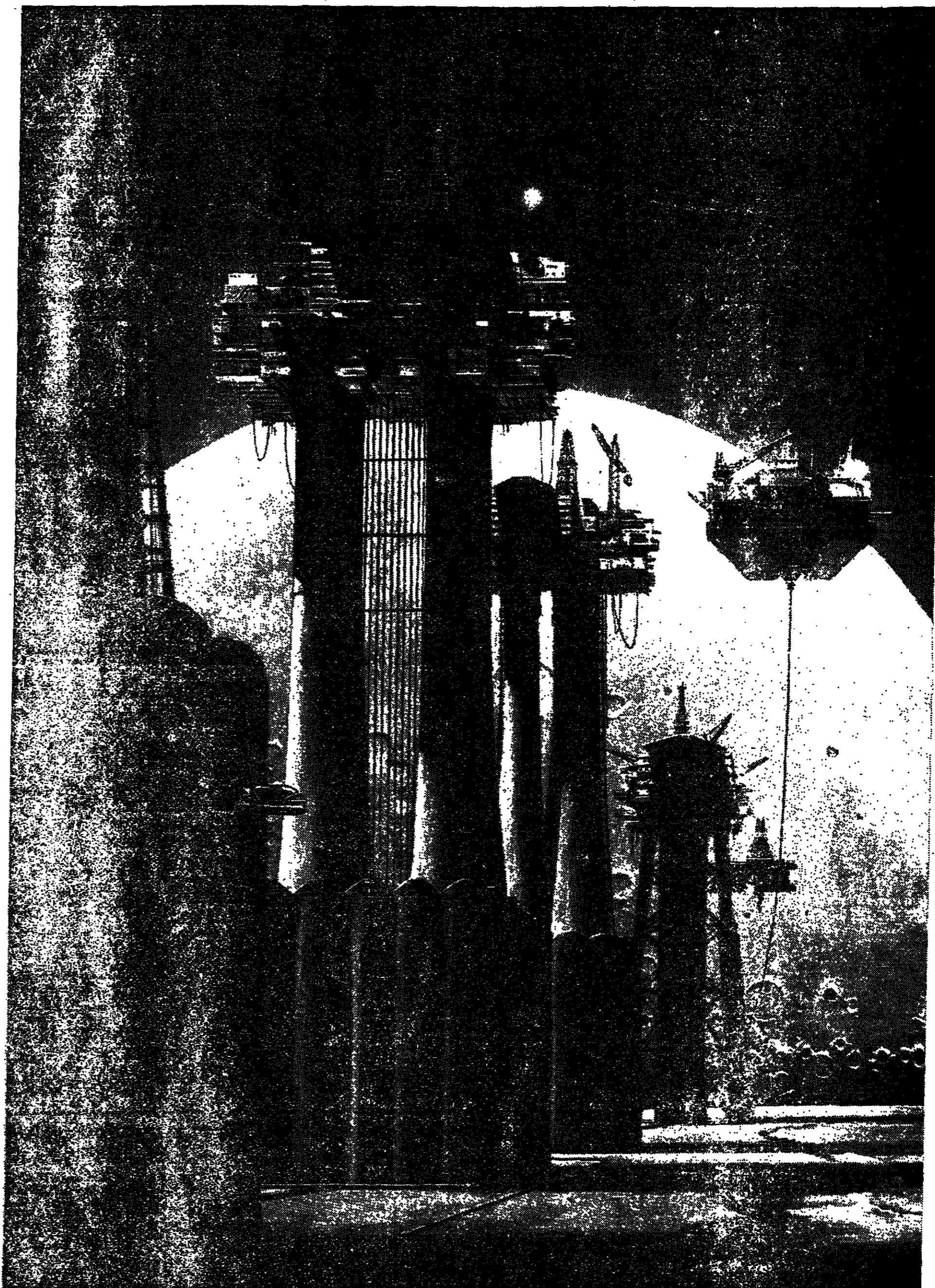
Although there are projects which cost more, in terms of sheer technological innovation there is no other achievement on earth to match the conquest of the North Sea.

We have pushed back the limits of technology so far that the only feat which invites comparison is otherworldly: the placing of the first men on the moon by NASA's Apollo space programme.

As a matter of fact, the computer-room that monitors our operations has a great deal in common with that famous control-room in Houston.

And Shell is proud to be in the forefront of an endeavour which only twenty years ago, would have been dismissed as pure science-fiction.

You can be sure of Shell.



TECHNOLOGY

EDITED BY ALAN CANE

Canon's new range designed for the low volume user

Personal copiers without maintenance

BY ELAINE WILLIAMS

Tomorrow Canon, the Japanese business equipment and consumer electronics company, launches a revolutionary range of photocopying machines aimed at the small user.

Canon says the new range of personal copiers eliminates the need for maintenance by service representatives.

Anyone who has been faced with the problem of hunting around the office on a Friday afternoon to find a working machine will appreciate Canon's claim.

The problem of maintaining these complex bits of machinery has been a major barrier to the use of plain paper copiers by the small user with low volume needs.

Canon's new range of plain paper copiers fit on the desk and have disposable parts. They have features which are as sophisticated as larger machines but are far cheaper. Prices will be in the region of £500.

By entering the low cost end of the market Canon competes against coated paper copying machines produced by companies such as 3M and Pitney Bowes. Until now only coated paper copiers using sensitised paper have been priced low enough to attract the small user.

There are two models in the

Personal Copier range—the PC10 and the PC20. Canon claims that the PC10, which is manually fed, is the smallest of its type in the world. The PC20 is slightly taller to accommodate a plain paper cassette to allow continuous copy feed.

Both microcomputer controlled machines will produce copies on to non-sensitised paper ranging from air-mail thickness to card. A floating pressure-sensitive roller automatically adjusts to cope with varying paper thicknesses.

Particles

In addition, the machines can accept metal surfaces and will also copy on to film for overhead projection and audio visual aids.

All plain paper copiers operate on the same principle. Using a lens and focusing arrangement the image of the writing on the paper to be copied is stored temporarily on a photosensitive drum. Tiny particles of ink stick to the drum—which has become electrically charged.

The ink is then transferred to a plain sheet of paper as it passes under the drum. The ink is then fixed by heating. Canon says that the copier is quite economical to run as it requires only moderate heat for fixing. It takes about 20 seconds to warm up the copier so that the machine does not need to be left on all day.

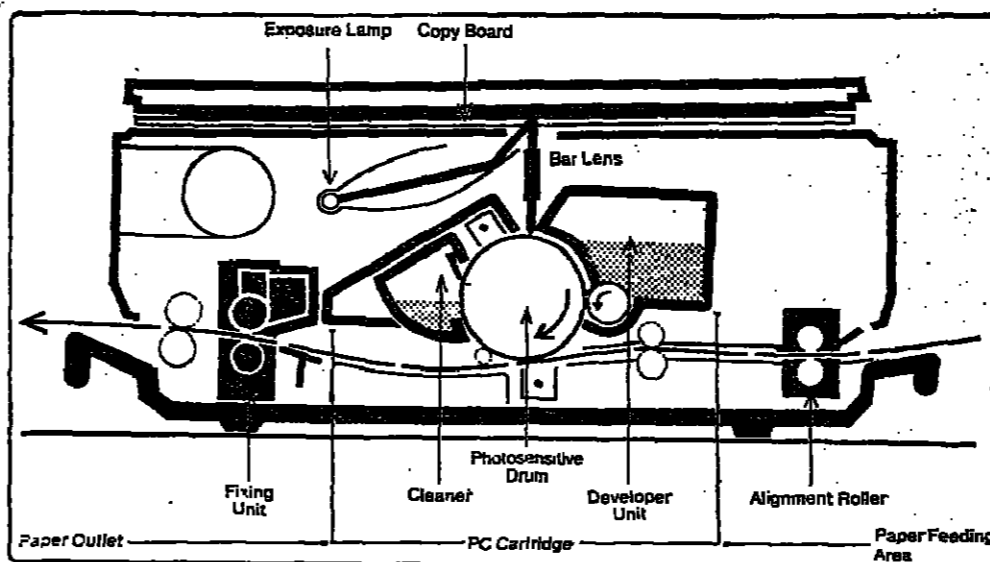
The copier is built around a disposable cartridge containing a photosensitive drum, developer and toner assembly and all the other parts which wear out in such a machine.

After about 2,000 copies have been made, the cartridge is thrown away. Based on the prices announced in Japan, a cartridge would cost about \$100 to replace. Canon says that eventually prices would be less than 10 per cent of the new machines.

Mr Fujio Mitarai, President of the company's U.S. subsidiary, said that the company aimed to reach production levels of 20,000 a month during the first year.

It hopes to sell 50 per cent of its output in the U.S. by the end of next year. Initially, however, the emphasis will be on home Japanese sales with overseas introduction beginning in November. Eventually, exports are forecast to grow to 70 per cent of total production.

Market analysts in the U.S. believe that the cost of the copier will be crucial to its success, especially the price of the disposable units. However, technologists



Chinese method speeds wine maturity

As a keen home wine brewer, I am often impatient about waiting months for my wine to mature. Chinese commercial wine-makers seem to have the same problem.

there claim to be able to cut the maturing time down from months to a mere 12 minutes by the use of an electronic device which emits high-frequency radio waves, ultrasonic sound and ultraviolet light.

Apparently this combination drives the harsh and astringent flavours out of new wines. About two dozen wine companies in China have obtained good results with the device which costs around \$10,000.

Lasers

Prototype stabiliser

BRITISH Aerospace Dynamics has demonstrated a prototype stabiliser for hand-held laser range-finders. The system, intended for military applications, is intended for soldiers with shaking hands.

The system helps the operator hold the laser beam on target for the short time required to measure its range. Without stabilisation, for a cumbersome tripod mounting, it is not easy to get the correct range.

British Aerospace has produced the prototype stabiliser for helicopter trials. More information on 0433 2422.

Gearboxes

Improved torque

LOOKING for a precision reduction gearbox, Fortescap of Reading has introduced a new model in its RGI range with an improved torque capacity compared with its existing models.

The RGI/9 is designed to operate with all Escap motors in the company's 23, 26, 28 and 34 series. It offers 15 reduction ratios from 5.5:1

The good news is
FERRANTI
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to 9720:1 as standard but other ratios are available, if required. More on 0734 361493.

Machine tools

Profile cutter

SHAPECUT Machines of Reading has introduced a co-ordinate drive line following profile cutter designated the Copycut 3000. There are two sizes with tracing widths of 50 or 60 inches and cutting widths of 60 or 80 inches. Details on 0734 696365.

Valves

New range

A new range of shot metering valves to handle high viscosity substances has been announced by Kent-Moore UK. The company is at Stockfield Road, Acocks Green, Birmingham (021-787 6955).

Fire sprinklers

'Memory' metal shows promise

BY MAX COMMANDER

NITINOL, a nickel-titanium alloy, is a rather unusual metal. It has been called the one with a memory because it can expand or contract when heated and return to its original shape when cooled.

Now, researchers at Battelle Columbus Laboratories in Ohio have incorporated the metal into a prototype fire sprinkler.

Robert Geoghegan, one of two people heading the Battelle study team, told me that there has been concern in the U.S. over the response time for domestic fire sprinklers. Most were slow to react until the heat had reached a point where the low temperature solder melted and thus actuated the sprinkler.

While there are not many homes in the UK with sprinklers, the research could well be of use for offices, public buildings, palaces, whatever.

The research at Battelle has concentrated on using Nitinol as a heat sensor component within the sprinklers so that it can be turned on or off at pre-specified temperatures.

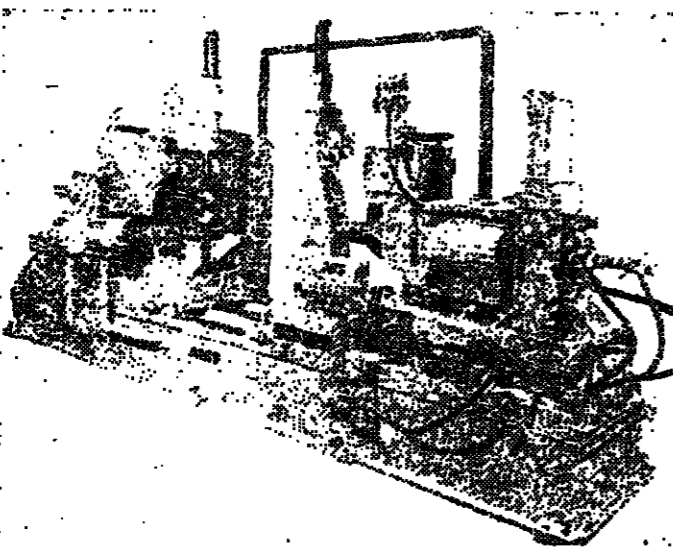
The researchers say (and this sounds more of a job for a midwife) the contraction of the metal releases the water.

The prototype as an "on only" sprinkler head has undergone tests at a room fire with sensitivity tests. These measured the response time in a 12 ft by 24 ft wood-panelled room with furniture. Eye level temperatures, the laboratory claims, did not exceed 85 degrees.

Battelle researchers have also designed an off-on sprinkler to automatically stop the water flow after the fire heat drops, basically to prevent water damage after the fire.

The whole system is still at prototype and report stage and there are no plans at the moment for production, but people in the field in the UK might like to ask for the report that will be passed to the U.S. Government.

People to talk to are Ilene Zeldin or Bob Geoghegan. Battelle is at 505, King Avenue, Columbus, Ohio (614 424 7728).



The AMT orbital threading machine.

Metal threading

Heavy duty design from Birmingham

DESIGNED FOR heavy duty applications such as large pipes, axle castings, pipeline valve bodies, where rotation of the component for conventional threading is undesirable because of its size or configuration, this Orbithread, orbital threading machine has been designed by AMT of Birmingham.

The machine clamps the component so that it is stationary throughout the thread-milling operation. It is offered in single or doubled opposed head versions each capable of threading components up to 12 and 14 in inside diameter.

A standard machine consists of a single spindle head fitted on slideways with a cross facing attachment mounted onto the main spindle hose. The cross facing movement is achieved by a hydraulic cylinder operating

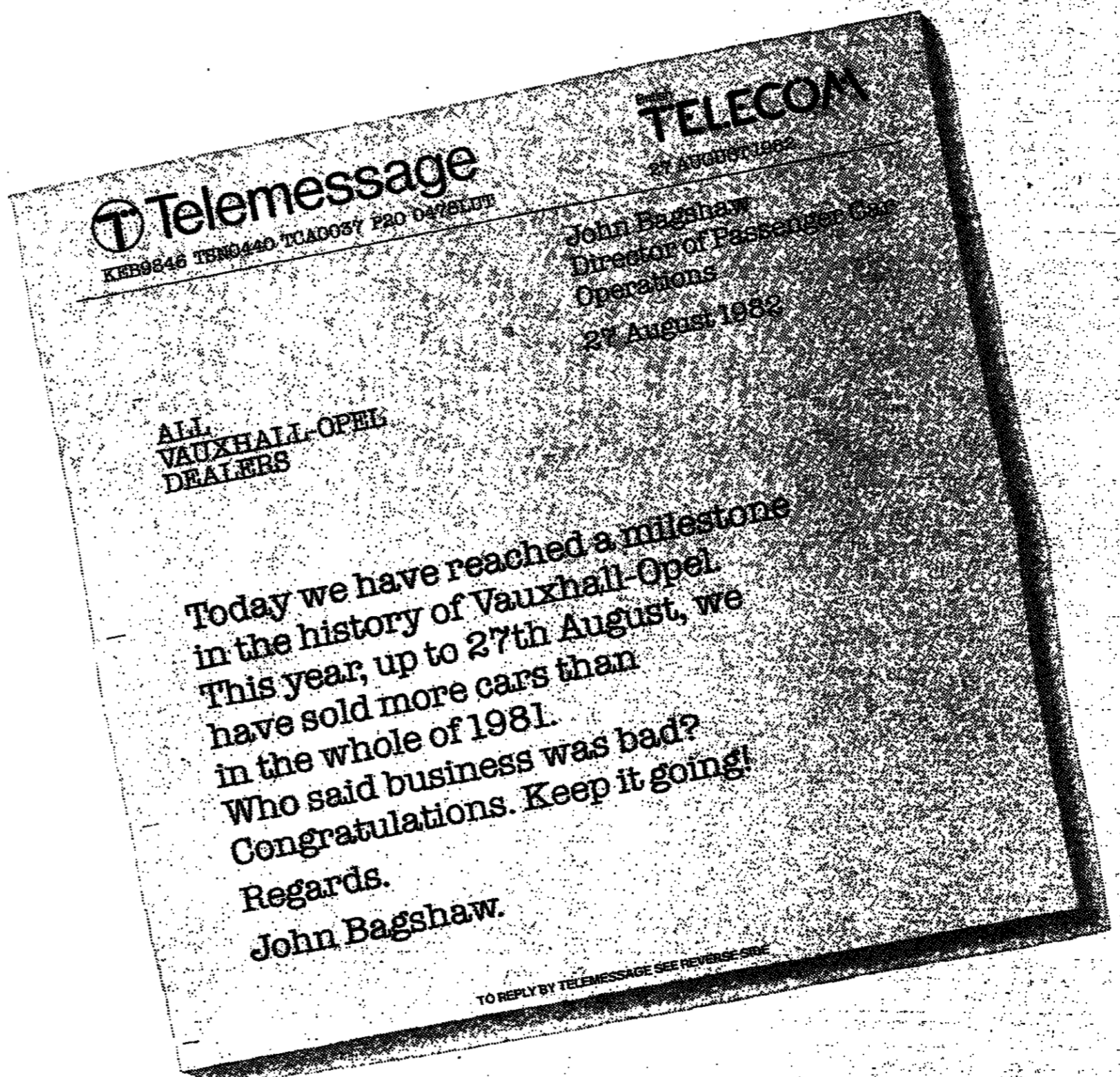
through the hollow main spindle.

Attached to the slide on the cross facing head is the work-spindle which carries the thread milling cutter. The spindle is driven through a reduction box by a 2 hp motor. The cross side on the facing head can be set to adjustable dead stops for the required diameter while a progressive feed deals with the required depth of thread.

The main spindle will then rotate for just over one rotation to reach cutting cycle, thus ensuring complete orbital thread milling together with cutter feed in.

This is just a brief description of something coming out of Birmingham, but if you're interested in orbital threading machines the man to talk to is Mr Graham Mallabond. He is available at AMT Birmingham, 50, Cato Street, Birmingham (021-359 0272).

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THE MANAGEMENT PAGE: Small Business

Big company experience finds a smaller home

Tim Dickson on how a Government scheme opened up a new career for a redundant electronics engineer

TWO years ago Pat Brady would never have dreamed that he would end up working in a small firm.

A lifetime with big business, after all, is a hard habit to break and though he had just been made redundant by Francis Industries at Wrexham, he thought he would have little difficulty finding a new job.

Fifty-three interviews and six months later, the 55-year-old electrical and electronics engineer, realised his mistake.

Like so many executive victims of the current recession, Brady travelled the country.

He visited companies from the North of Scotland to the South Coast of England.

Occasionally, he was shortlisted but invariably he was pipped at the post.

Today, thanks to a little published Government backed scheme—Brady is the proud and enthusiastic head of engineering at Dee Electronics, a small engineering business in North Wales which is just under five years old and employs 28 largely semi-skilled people at a factory just outside Queensferry, Clwyd.

Given the independent spirit, not to mention the downright stubbornness of many small business proprietors, "Expand a Firm" might to some people sound like a recipe for managerial strife.

Based on the experiences of Brady and his new boss Jim Robertson, however, the scheme has not only contributed significantly to at least one firm's prosperity but given someone otherwise destined for the executive scrapheap a new lease of working life.

Looking back to Brady's arrival 15 months ago, Robertson concedes that it was a relief when "Vic Owens," head of the "Wales Development Agency's Small Business Unit at North Wales asked him if Dee would like to participate.

Originally a simple merchanting operation which Robertson set up in 1977 after losing interest in his selling job with a Birmingham company, Dee has since specialised in the design and manufacture of electronic control equipment for products as diverse as washing machines, domestic heating appliances and domestic and industrial alarm systems. The first year's turnover of £45,000 was doubled in year two, and has since grown a steady 20-30 per cent a year.

"I was in it for my ears and working 24 hours a day when the chance of taking on someone like Pat came our way," recalls Robertson. "I was doing the selling, organising, design, testing and production and although I knew we couldn't afford to pay him at the time."

Fifteen months later, Robertson says, with deliberate understatement, "that Brady earns his keep."

His major contribution has been to share the workload, allowing Robertson to cut himself off from day-to-day technical development and concentrate on what he is best at—sales and promotion.

Thanks in good measure to Brady's technical ability and his imagination in developing new and better products for Dee's customers, turnover has

grown significantly and the company's order book is full well into the second quarter of next year.

Brady has also started a modest and informal training programme, giving three enthusiastic youngsters, taken on under an MSC programme, the benefit of his experience. "He has been prepared to muck in and work the flexible hours often necessary in a small company," adds Robertson. "You don't meet too many like that with a big company background."

I wouldn't say that we've had disagreements as such though it obviously took Pat a while to get used to this environment. There's no big brother around here if you want something, you've got to earn it first."

EXPAND-A-FIRM grew out of collaboration between Dr Meredith Bebbin, chairman of the Cambridge-based Industrial Training Research Unit and Alan Randall, former chief executive of some of the smaller subsidiaries of the Imperial Group.

The research unit used to be part of University College London, but it is now almost entirely financed by the Manpower Services Commission. It is an independent body engaged largely in researching and developing new initiatives in the job training and job creation fields.

Launched in the spring of last year with a modest £25,000 a year budget, "Expand-a-Firm" essentially puts one of Bebbin's theories of manpower to the test.

"I strongly believe that the best way of generating employment is to concentrate on what we call 'sophisticates', he says. "These are people with high level skills who can create wealth and thereby jobs for other people lower down the line."

The existing philosophy of training unskilled workers into skilled or semi-skilled employees does not work when there is a shortage of jobs."

Bebbin admits that in most cases it is too early to judge the success of "Expand-a-Firm." But the early signs are certainly encouraging.

Of the two formerly redundant executives who have completed their 12 months,

Relief

For Brady, working at Dee Electronics has been "damn interesting, challenging and quite frankly a relief to know that I still have the capability to do the things I was doing 20 years ago."

One of the biggest differences between big and small is the speed at which we have to turn things round. A company can ring up and say that they want, say, a detector stage built into a monitoring system and we have to jump to it to get the order finished in time."

Brady also says the experience has forced him to brush up on technical skills which in the last few years had become a little rusty.

"In a big company's R and D department you tend to look down very narrow bands, otherwise you quickly overlap into somebody else's backyard. The range of skills required is much wider in a small business. If you've got a knotty problem you can't for example, hire an expensive consultant to come and sort it out."

Brady has also learnt to concentrate his efforts on commercially viable products.

"Lots of people come to us with what are interesting ideas but in a small company you just can't necessarily afford to waste time on them."



Sharing the workload: Jim Robertson (left), who started Dee Electronics five years ago, and electrical and electronics engineer Pat Brady.

Emphasis on 'sophisticates'

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one (Pat Brady above) has joined his company on a permanent basis while the other has left to set up his own business.

Six other "fellows" are currently half-way through their year and Bebbin estimates that the firms involved may already have taken on 30 additional employees as a result. In one case, the development of a new process holds out the prospect of a significant longer term boost to employment.

Elsewhere, the recent appointment of a "fellow" in Newport, South Wales, is expected to save up to 17 jobs.

Although in this case the death of the chairman has put the business in jeopardy, "Expand-a-Firm" is aimed primarily at healthy manufacturing firms, independently owned, which employ less than 100 people and are located preferably in an area with above average unemployment.

Individuals, meanwhile, are likely to be over 30 but can come from any type of business background provided they fit the bill.

The key to the ultimate success or failure of the scheme undoubtedly lies in the way that the unit matches individuals with firms.

Initially, the unit relies on various regional "agents" such as the Welsh Development Agency and the Scottish Development Agency to come

forward with candidate companies while the Professional and Executive Register (PER) is used to trawl for potential key employees.

Randall, as project leader, then visits interested firms with a colleague. They explain how the scheme works and weigh up the prospects for growth.

Individual applicants, meanwhile, have to take two of Bebbin's tests—the first a "Self Perception Inventory" assessment designed to give the research unit a good idea of an individual's temperament and compatibility with a particular small firm proprietor.

The second is a "Job Feature Questionnaire" which involves looking at 30 pairs of jobs and saying which of the two in each case is preferable and explaining why.

Both these tests are based on Bebbin's thesis—based on extensive and well documented research—that managers do not have to be whizz kids but should have one or more characteristics which enable them to excel in a management team.

"Expand-a-Firm" will not suit every individual or every small company. However, the scheme seems to be a happy example of co-operation between academics and businessmen. And given the potential a cost per job of £7,000 appears to be a good deal for the taxpayer.

Small firms get a voice in Europe

THE APPOINTMENT of 55-year-old Bill Poeton to serve on the Economic and Social Committee of the European Parliament is a timely boost for all small and medium sized firms, whose interests he will represent.

The significance is perhaps that much greater for in these cases the invitations come direct from 10 Downing Street.

Poeton is National Spokesman of the Union of Independent Companies (UIC), whose 250 member firms are all manufacturing businesses organised into regional groups along parliamentary constituency lines.

His appointment will last for four years.

The Economic and Social Committee is an influential consultative body whose task is to advise the Council of Ministers and the European Commission.

Under the EEC Treaty Ministers and the Commission are required to consult the Committee before taking any action.

Poeton is a passionate believer in positive discrimination for small companies and says that the present UK Government has not been converted to this faith.

He points enthusiastically to a background paper by the Committee published in May which argued that "while a favourable investment climate created by appropriate macro-economic conditions forms the soundest basis for the foundation of Small and Medium Sized Companies, we must not forget that the same conditions make it much easier for large firms to expand."

In other words, says Poeton, reductions in interest rates and cuts in the National Insurance surcharge—which help all companies—are not sufficient on their own for the small business sector.

This is a view which has brought him into conflict with certain people, including some in the Confederation of British Industry—from which the UIC broke away in the mid-1970s.

The UIC is about to conduct its own survey of industrial opinion to test the mood of the small manufacturing sector.

The decision stems partly from the failure over the last CBI survey which painted a very depressing picture of the country's economic prospects.

"We think that gloom generates gloom," says Derek Young, the UIC's national chairman. "Although we are going through a terrible recession and our members have been bumping along the bottom the impression we get is that they are not far on their backs. Things are better than they were a year ago."

Publication of the findings will depend on whether the results are significant. "But we won't conceal them if they turn out to be bad," promises Young.

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Tuesday August 31 1982

The relics of Maoism

LIKE A great director before the first night Deng Xiaoping, the diminutive maestro of Chinese politics, is putting the finishing touches to the most important production of his remarkable career.

The curtain goes up tomorrow on the 12th congress of the Chinese Communist Party. It will be a great and glittering occasion and for Deng, twice eclipsed and humiliated in the long march since liberation in 1949, and now nearing the end of active political life, it must go right on the night. For the past 30 years China has done little more than tear itself apart, warring in the process with its enormous reserves of talent, ingenuity and energy. For Deng this may be the last chance to set the country on a steady course for the next decade.

Proteges

Deng is above all a pragmatist who eschews grand designs. He has wisely chosen, with exceptional skill and guile, to outmanoeuvre the die-hard supporters of his ideological opponent, Mao Tse Tung, since the latter's death in 1976. Frequently sacrificing policy for getting his people into the right jobs and ideology for practical gain, he has inched forward. In the process he has provided a badly needed dose of pragmatism into a political and economic system which for the past two decades or more has suffered from wild and unpredictable swings of the ideological pendulum.

Deng's proteges, premier Zhao Ziyang, party chairman Hu Yaobang and others, have done well enough to stay in the saddle over the past few years. But the feeling persists that without Deng at the reins, they could still be unseated. That is why the congress has special importance.

Damage

A new constitution which promises to sweep away the final vestiges of Maoism is likely to be unveiled, diluting, at least in theory, the omnipotence of the Communist Party. Sweeping reforms of the leadership structure, some of which have already been put into effect, are likely to be endorsed. The Politburo and the Central Committee may be reshaped to suit

the pragmatists and to oust the ideological die-hards.

The all-powerful post of party chairman may be abolished. The practical significance of such a move remains to be seen, but its symbolism is of enormous importance. Mao skillfully used this position to establish himself as a demigod for 27 years, inflicting, as he became older and more senile, appalling damage through a combination of mystique and patronage on a country still struggling with poverty, residual feudalism, and the dead hand of the Communist Party.

Much of what is emerging now may be cosmetic. Deng is certainly no liberal. China is likely to remain a totalitarian state in the grip of a party which frowns on individual initiative. The leadership changes may not make any real difference. Deng's strategy pushing ahead with change also carries with it enormous risks since he seems on the point of launching a major purge of the party itself at all levels.

Contradictions

Some of his reforms have been bitterly contested already. The renewed emphasis on heavy industry, a clampdown on contact with foreigners, growing attacks on the "evil influence" of western values brought to China by the opening up of the country, and the return to the sterile authority of earlier years in culture and education are merely some examples. More worrying for the outside world, which wishes to trade with China and entice it into a more comfortable, working relationship, has been the ferocity of Peking's opposition to the U.S. administration's admitted inept handling of the Taiwan issue.

Three decades after the Communists took power China has yet to resolve the two fundamental contradictions which have determined its erratic progress so far. The first is how to achieve material success without sacrificing ideological purity. The second is how to achieve that success without laying itself open to an invasion of foreign technology and alien Western values, which threaten its integrity as a great civilisation.

How to make education work

THE VALUE of education is cultural and social as well as economic and so cannot be measured solely by its contribution in terms of material wealth. But as was pointed out by the National Institute of Economic and Social Research last week, spending on education by most developed countries has become so heavy that

"it was necessary to specify which kinds of educational activity are economically profitable, and also to be aware of the economic costs of supporting other types of education which require to be justified on non-economic grounds." In Britain, where the expenditure has risen from about 3.5 to 8 per cent of gross national product in 20 years, the visible outcomes are largely dismal. The advocates of the expansion, expected to provide at least two distinct and general benefits. One was greater social justice, particularly by extending the opportunity of higher education to many more children of semi-skilled and unskilled workers.

The other main benefit was directly economic. It was thought that by giving more education to young people before they began work, we would ensure higher national productivity and living standards for all. Neither expectation has been fulfilled. Families of semi-skilled and unskilled workers account for three-fifths or more of the population. But their children still constitute only about a quarter of students in higher education. The failure of the economic hope is plain. While the average time spent in full-time education remains lower in Britain than in the U.S., our average is if anything higher than that of the West Germans.

Resources

In the words of the National Institute's review: "A lack of total resources committed to education does not therefore appear to be a reason for Britain's low productivity or low growth in productivity... The directions in which these resources have been committed must therefore come under scrutiny."

In seeking more economically profitable directions of investment, Britain should look further at the example of West Germany. Although the average time spent by its citizens in conventional classroom studies is relatively modest, Germany far exceeds Britain in the investment of money and social esteem

BRITAIN'S BLACK BUSINESSMEN

Why it is harder to start a business if you are black

By Lisa Wood

MARK COOKE came to Britain in 1958. Today, aged 33, he is joint managing director of Tridata Micros, a Birmingham-based company which develops and markets business accounting software for use in micro-computers.

Tridata, now four years old, employs 12 people, has made a profit for the last two years and expects a turnover of £240,000 this year. All its employees are white, except one, and that is Jamaican-born Mr Cooke. Justice Lewis, an RAF-trained telecommunications engineer and Anthony Hill, an accountant, set up Ebony Greeting Cards in 1978 with capital of £5,000. Since then Ebony, which specialises in designing and manufacturing greeting cards for the "black" market, has quadrupled its print run to 250,000 cards a year and extended its design range from six to 63.

The two men are examples of a rare phenomenon—successful black British businessmen. For while it is difficult for anyone, black or white, to start a business—particularly in the present economic climate—recent research suggests that would-be black entrepreneurs face particular problems.

Barclays Bank estimates, for example, that only about 3 per cent of blacks are self-employed in mainstream business, compared with 13 per cent of Asians and 10 per cent of whites.

Most businesses run by blacks are in the service sector—such as TV and video or record shops, hairdressers, restaurants and construction. There are relatively few manufacturers.

Lord Scarman, in his report on the Brixton disorders last November, spelled out why it was important for society that West Indians were brought into the business community.

"The encouragement of black people to secure a real stake in their own community through business and the professions is of great importance if further social stability is to be secured," he said.

The message remains as relevant today as an increasing number of blacks, disproportionately affected by unemployment and facing racial discrimination in seeking a job, are trying to establish small businesses.

They face two key problems: "access to commercial capital and management skills," according to a recent parliamentary select committee report on racial discrimination.

Banks, the report said, vary widely in their lending attitudes to ethnic minorities. "Some managers appear to require an undue amount of

collateral for a loan, possibly as a result of stereotyping of West Indian entrepreneurs as a bad risk—a stereotype not supported by the experience of those banks who have made business loans to West Indians."

Setting aside the issue of racial discrimination, which is real but difficult to prove, there seem four basic reasons for these difficulties:

● Lack of collateral. Blacks, concentrated in lower-paid unskilled jobs, find it difficult to accumulate start-up capital. A higher proportion of blacks than white or brown people live in council accommodation and are therefore unable to offer the deeds of a house as collateral.

● Lack of business experience. Mr Martin Kazuka, a Guyanese-born business consultant, says in a report on ethnic enterprises in Hackney, east London, that because blacks have fewer education and employment opportunities than whites, "the requisite managerial experience necessary for running a business efficiently is almost nonexistent." He estimates that up to 50 per cent of all business failures, black or white, are due to "poor management."

In contrast, the UK Asian community has a substantial middle-class professional element and many families have a traditional involvement in business. There are also several Asian banks with branches in the UK.

● Social attitudes formed by the experience of immigration to the UK. Many blacks point to the success of West Indian immigrants to the U.S. But Mr Tony Wade, chairman of the

250-odd strong UK-Caribbean Chamber of Commerce, points out that American immigrants "had a different approach and attitude to us, knowing they would have to fight for opportunities."

"We were brought up to think of Britain as the mother country and believed that if we worked industriously we would share the benefits. That did not happen."

Contrast this attitude with that of Mr Santokh Singh Bhambra who, with only £50 in his pocket, was forced to flee Uganda 10 years ago this month. A chartered engineer by profession he was refused a loan by a Birmingham banker, despite having his Ugandan bank statements which showed the profitability of his former business.

Mr Bhambra, now owner of an electrical shop in Handsworth, Birmingham, did ultimately get a loan through persistence. "We were used to that treatment," he says. "Our parents told us stories about hardships when they went to Uganda. We knew life would be hard and were prepared."

● Communication difficulties between a white bank manager and a black client. The story of Ms Rosemary Arnold, a middle class black South African, is an example.

She wanted a £60,000 loan to start a restaurant in Brixton, where she lives. Helped by the London Enterprise Agency (LEA)—set up by big business to help small companies—she drew up a plan and approached her bank manager.

"Talking to a senior banker



Mr Abdul Shamji (left), chairman of the Gomba group of companies and Mr Justice Lewis, managing director of Ebony Greeting Cards.

in Sloane Square about a restaurant in Brixton is an unbelievable experience," she says. "He could not understand why anybody should want to open a restaurant there."

Helped by LEA, she secured a loan from the Industrial and Commercial Finance Corporation (ICFC), as well as receiving strong financial support from her local branch of Lloyds Bank.

The banks are responding to such criticism. All four clearing banks have appointed business advisers with special responsibility for ethnic minorities during the past year.

Mr John Ridgeway, the appointee of Barclays Bank, is a former deputy manager in London's East End. He spends much of his time visiting his bank's branches and talking with customers, often on their own premises. "All banks," he says, "have to improve communications. Very often I find a bank manager with a genuine desire to know asking questions

that seem aggressive to black customers and the barriers go up."

Blacks, he says, feel that if there were black bank managers customers would be more trusting in giving full information about their circumstances.

"It has been suggested that black managers from Barclays' branches in the Caribbean be offered opportunities in the UK. But they would not necessarily understand British business problems. Anyway, why should a black manager want to go to Brixton, not Knightsbridge?"

Mr Ridgeway says that black managers will emerge in time through the bank's career structure. Positive discrimination in training is allowed in the Race Relations Act but he argues that accelerated training for blacks could cause resentment among white employees.

None of the clearing banks admit to monitoring their staff by ethnic origin, but it is understood that all are busy

identifying blacks with manager potential.

An exciting new development to help black people present their business plans to the banks is the growth of business consultancies staffed by blacks.

Mr Jonathan Emanowa, a Nigerian-born 29-year-old with an MA in business administration, set up New World Business Consultancy in Camberwell, south London last year with the aid of a £40,000 grant from the Greater London Council, and some funding from the banks and Wates, the builders.

Mr Emanowa, a forceful but diplomatic man, has an all-black team of five. "There are people," he says, "who feel greater confidence in approaching us. If a Jamaican goes in to see a bank manager, and speaks patois, he is disadvantaged from the word go."

Most of New World's clients wanting loans need £5,000-£10,000. About 40 per cent for whom it tries to raise money are successful. Mr Emanowa thinks more of them deserve financial help and wants to set up a special fund to aid black business. The Government, he argues, has regional policies to aid disadvantaged regions — so why not special financial packages to aid disadvantaged people?

Whether or not specific funds should be earmarked by the Government for black start-up capital is politically controversial. The present Government argues that to do so would antagonise sections of the white community and might not be very productive anyway.

Many believe the most crucial need is management advice. Mr Cooke, for example, had 16 years' experience in the computer industry before setting up his own business. Mr Lewis, of Ebony Greeting Cards, says his success is due to a combination of "business expertise and dedication."

Charles Batchelor

PARK LANE EMPIRE OF AN AMIN REFUGEE

ABDUL SHAMJI (pictured above) has built up a trading and industrial empire of impressive size since he fled from Idi Amin's Uganda 10 years ago.

The 49-year-old businessman of Gujarati descent now directs his hotel, trading, hand-making and vehicle assembly interests from offices in Park Lane. His Gomba UK group of companies has an annual turnover of around £10m, though Mr Shamji is coy about revealing profit. Group companies employ more than 500 people.

Mr Shamji was no business neophyte when he came to Britain. He was forced to leave behind him a sizeable company engaged in car assembly, construction and hotels.

His first deal in Britain was

arranging a shipment of Johnnie Walker whisky and cutlery to Zaire.

From there he went into house repairs and second-hand car sales—"anything which came to mind." He increased his export business, shipping clothing, cutlery, crockery to Kenya and Nigeria. Watches from Hong Kong were sold to Iran. With no knowledge of running a shipping line and unable to raise finance in Britain, Mr Shamji negotiated finance in India and arranged for an Indian shipyard to build six vessels in 1974.

After forming a joint venture with a subsidiary of the Common Brothers line of Newcastle-upon-Tyne, he sold his interest in the successful shipping business to a Dutch company shortly afterwards.

Since then he has featured prominently in rescuing failing companies. In 1976 he took over a Blackburn company making leather handbags.

In March of last year Mr Shamji got back into the automobile business. He paid a seven-figure sum for the Scottish maker of four-wheel drive trucks, Stonefield Vehicles.

Stonefield's Ayrshire factory had been largely paid for by the Scottish Development Agency. It went into receivership when the agency decided further development would be too expensive.

Despite protracted wranglings with the suppliers of tools, stocks and engineering drawings Stonefield has since produced more trucks under Gomba than it did in the previous four years together,

claims Mr Shamji, who believes fervently that massive injections of public funds will not solve the problems of British industry.

Mr Shamji's political views are clear. He has entertained Mrs Thatcher to dinner at his home and the Prime Minister poses in the cab of a Stonefield truck in a picture hanging above his desk.

He denies ever encountering racial discrimination during his time in Britain but concedes the extended Asian family system allows a rapid accumulation of wealth and may provoke jealousy. British executives outnumber Asians 8 to 1 in the top levels of the Gomba organisation but Mr Shamji says he has helped fellow exiles when he has been in a position to do so.

Charles Batchelor

Men & Matters

Coping together

Fashion to fruit machines group Cope Allman is beginning to think about expansion again after a couple of lean years. And in order to concentrate on such strategic, longer-term planning, chairman and chief executive Louis Manson is splitting the dual role he has filled for the past nine years.

"The restructuring of the group is entering its final phase," he tells me. "By the end of the year, the turn around in our activities should be complete and it seemed a good time to make the change."

In October, Manson will hand over day-to-day management of the group to Michael Doherty, currently running an equally mixed bag of operations as chief executive of Inchcape UK.

A one-time partner in accountants Turquand's Barton Mayhew, Doherty joined one of the firm's clients Sir Darby London as finance director in 1973 just as the Pinder affair erupted in the Far East parent.

In 1975, Doherty moved to finance director of another Far East trading company, Anglo Thai Corporation, where he had also got to know during his auditing days. He stayed on when it was taken into the Inchcape group, and became managing director in 1978.

Since January, he has been in charge of Inchcape's varied operations in Britain from car sales to commodity trading.

Doherty was head-hunted for Cope Allman and says his decision to move was made before the news in June that Sir David Orr is to take over as executive chairman of the Inchcape group.

down to me. Now I am joining a frigate—but I will be on the bridge influencing the speed and direction."

Sound barrier

No flights of fancy by Aviation Minister Iain Sprouat at the weekend.

Having a week ago referred to the "quagmire of perks and privileges" he had found at British Airways, the grandiloquent junior minister decided he had better not accept a suggested free "familiarisation" trip by BA Concorde to New York.

So Sprouat stayed at home yesterday as "duty minister" for the Department of Trade and some of his officials hope, familiarised himself instead with the problems of fulfilling his promise to have BA's privatisation plans ready within the next 12 months.

"It would have been a bit of a luxury for him to go to New York at this stage since he is going in October anyway," a DoT press officer explained.

Spaced out

Space invaders are gradually being driven out of the Far East, it seems. The Malaysian Government is now being urged to follow the lead of Indonesia and the Philippines in banning video games.

The boom in electronic entertainments over the past two years, according to Dr Martin Khor of the influential Consumers' Association of Penang, has brought with it serious social and cultural problems. These games glorify violence, destruction, space war, killing and racing. Khor says, "Some games require the player to drive a speeding car into a road full of pedestrians."

Children were stealing and cheating their parents to get

money to play the machines. Schools complained that pupils' work was suffering because of the craze.

Kuala Lumpur has already decided to revoke the licences for nearly 500 video machines operating in city shops at the end of the year. Tougher conditions are also being imposed on other operators.

It does not look as if it will be long before the space war is over and, Khor says, the kids can go back to the traditional and less harmful pursuits of flying kites and spinning tops.

Radiant appeal

Liz Brown writes a friendly letter as a few thousand people throughout Britain will learn in the coming months. For this Scottish sociologist wants 2,000 householders to help her measure the amount of radiation in their homes.

Radio-activity goes naturally from rocks and from the materials dug out of the ground to build houses. If people follow the Energy Department's instructions this winter to seal their homes against loss of heat, they will also be sealing in the radio-active radon gas.

So the National Radiological Protection Board, which tries to protect us from over-exposure to radiation, wants to find out just how serious a problem natural radio-activity might be in Britain.

A colleague has dutifully responded to Liz Brown's appeal by placing two of her "dosimeters"—which lock like pill pots and measure radon gas and gamma rays—in a bedroom and living room of his brick-built Buckinghamshire cottage.

After six months, they will be posted back to her to see how much radio-activity they—and he—have collected.

More than half of those approached so far have agreed to help, Brown says. "Very

good for a postal survey". A few wanted more details; a few politely declined; and "a small minority" refused more brusquely to have anything to do with it.

There does not seem to have been any differences in the responses from those regions which have been most vociferous in opposing nuclear energy, including Cornwall where early sampling shows very high levels of natural radiation in homes.

But the NRPE has not yet decided whether, when all its pots have been returned in two years' time, it will tell its "guinea pigs" how much radiation they are soaking up in front of their TV sets during the long winter evenings.

Delayed action

Though RIT went to great lengths to explain the industrial logic of last week's deal in which it is taking a 29.9 per cent stake in stockbrokers Kitcat and Aitken, there is no doubt that one of the most potent attractions of the link-up was Mills Taube, Kitcat's respected senior partner.

Taube will be joining Jacob Rothschild and old friend David Montagu at RIT. Back in 1982, when David Montagu was working at his family's bank, he offered Taube a job in investment management. "I've just taken a while to make up my mind," Taube tells me.

Of course

A reader lunching at a London hotel tells me that a woman sat down at the next table, waved aside the proffered menu, and said she just wanted "something very light and very fast."

The waiter raised an eyebrow and replied politely: "May I recommend, madam, Sebastian Coe?"

Observer

Midland Bank Interest Rates

Base Rate

Reduces by 1/2% to 10 1/2% per annum with effect from 31st August 1982.

"Save and Borrow"
"Holiday Club" and
"Christmas Club" Accounts

Interest paid on credit balances reduces by 3/4% to 7 1/4% p.a. with effect from 28th September 1982 and interest charged on overdrawn balances remains at 19% p.a.
APRs 7.4% and 20.3% respectively.

Deposit Accounts

Interest paid on 7 day deposit accounts reduces by 3/4% to 7 1/4% p.a. with effect from 31st August 1982.

Abatement Allowance

On ledger credit balances of current accounts which are subject to the standard personal current account tariff and do not qualify for free terms reduces by 1/2% to 3 1/4% p.a. with effect from 31st August 1982.

Midland Bank
Midland Bank plc

هكزان الكحل

FINANCIAL TIMES SURVEY

Tuesday August 31, 1982

Malaysia

Under its new and controversial Prime Minister, Dr Mahathir Mohamad, Malaysia is becoming ever-more politically confident both at home and abroad. But with economic stormclouds gathering, this fresh self-confidence is about to undergo severe test. The Government has above all to reconcile the demands of an increasingly sophisticated electorate with the harsh facts of recession.

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TODAY, TWENTY-FIVE YEARS LATER, MALAYSIA AND SIME DARBY RECALL WITH PRIDE TUNKU ABDUL RAHMAN'S PROCLAMATION OF INDEPENDENCE ON 31ST AUGUST 1957

"MERDEKA!"

The spirit which Tunku Abdul Rahman kindled in the nation in that historic moment twenty-five years ago with the cry of "Merdeka" lives on today in the hearts and minds of the people of Malaysia.

Great progress has been made in Malaysia since independence and Sime Darby is proud to have been part of this dynamic period of growth and development. There is much still to be done however and Sime Darby looks forward to the future with confidence inspired and strengthened by Tunku Abdul Rahman's call for...

"Merdeka!"



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MALAYSIA II

New regime marks end of an era

THE LOWERING of Britain's flag over Malaysia 25 years ago was a gentlemanly affair. The Alliance leadership which stepped into the colonial administration's shoes was conservative, English-educated, upper middle class and not keen to see radical social or economic change.

It has taken all of those 25 years, and the rise to power of Dr Mahathir Mohamad, to bring an end to all that.

From university in Singapore and a medical career in Malaysia's poor north-eastern state of Kedah, Dr Mahathir has little in common with his predecessors. After a year at the helm his administration has brought about a revolution in style and there can be little doubt that changes of substance lie ahead. During the elections in April which gave Dr Mahathir and his deputy Datuk Musa Hitam (together called the "2-Ms" government) a larger parliamentary majority than any previous administration, whole phalanxes of new men were promoted through the party ranks as members of the "old guard" were unceremoniously pushed aside.

On a campaign slogan of "clean, efficient and trustworthy" government Dr Mahathir has put an electric shock through the country's bureaucracy. Corruption may not have been rooted out but the corrupt now have to be more discreet than ever in the past.

What was left of Malaysia's unblemished cord to Britain was symbolically severed in October last year with a "directive" that government departments should not buy British where an alternative exists. A "Look East" policy, urging Malaysians to find inspiration in the work ethics and work methods of the Japanese and South Koreans, followed hot on the heels of the directive.

In his impatience for change, however, Dr Mahathir has paid little open attention to the immense achievements of his country over 25 years of independence.

In 1957 Malaysia was a classic example of a colonial plantation economy. It was dominated by rubber and tin, as it had been since the turn of the century. Together these two products accounted for 80 per cent of the country's exports.

By last year, with a Gross Domestic Product that had grown tenfold to over M\$28bn, rubber and tin were just as important in dollar terms but had long been overtaken by manufactures, along with oil and gas, as leading export earners. New commodities like palm oil and cocoa had been introduced, broadening the country's agricultural base.

Today Malaysia leads the world in five export products. It provides 56 per cent of the world's palm oil, 42 per cent of its rubber and pepper, 37 per

cent of its tropical hardwoods and 82 per cent of its tin.

With its economy still growing at 6 per cent, inflation in single figures and unemployment barely noticeable, Malaysia is a country where absolute poverty has virtually disappeared. No surprise then that it has one of the best credit ratings in the developing world.

While Britain has been blamed for many colonial sins, at least some of Malaysia's progress of the past 25 years is thanks to foundations laid by the British. Plantations had been well run and a good infrastructure of education and communications had been laid. A solid administrative structure was in place, as were stable political institutions.

Despite an auspicious beginning there were times in the 1950s when stability in Malaysia—and in South-East Asia generally—was in serious doubt.

Establishment of the Malaysian Federation in 1963 stirred up a hornet's nest of regional rivalries, in which President Sukarno of Indonesia vied for regional domination through a policy of military "confrontation" and the Philippines made claims to part of the federation. These have still not been formally abandoned today. Singapore broke away under Lee Kuan Yew in August 1965.

To make matters worse the Vietnam war raged just 500 miles away at a time when Britain, which had until then

provided Malaysia's defence umbrella, was drawing its forces back west of Suez. A turbulent and xenophobic leadership in Peking fuelled Communist movements operating in the dense jungles of Malaysia and southern Thailand.

While Tan Sri Ghazali Shafie, Malaysia's Foreign Minister, may talk today of the threat to the region of the current conflict in Indochina, the stability of the region is profound by comparison with those unsettled days. Much of the credit for this stability should go to Malaysia and its regional partners in the Association of South-East Asian Nations (ASEAN)—an idea first mooted to a sceptical world by Indonesia in 1967.

Inside Malaysia the unrelenting theme of political activity has been the country's volatile racial mix—a problem unwittingly created by the British colonial administration. A flicking awareness of racial conflict was thrust on the then government in 1969 when in the wake of election victory celebrations by opposition Chinese parties large numbers of the country's impoverished Malay population ran amok.

The bloodbath that followed has provided the focus for political activity and economic policies ever since. The New Economic Policy (NEP) laid down in 1970 is a 20-year programme aimed at eliminating the gap between Malaysia's comparatively affluent Chinese minority and the poor rural Malay majority.

Fear of renewed racial conflict has caused successive administrations in Malaysia to cling to a "softly softly" approach in all areas of policy. Perhaps the most profound revolution to hit the country since Dr Mahathir became Prime Minister in July last year is his abandonment of this approach.

World Recession: "We are figuring out how to tackle the problem and the most important move so far is to cut down on our expenditure, to reduce government spending, to live within our means and to be more productive. Although the recession will continue to have a very deleterious effect on the economy it will not be as bad as most other countries."—Dr Mahathir Mohamad, Prime Minister

While not openly admitting that he sees political virtue in the conscious use of shock treatment Dr Mahathir certainly does not believe in being gentle. If he sees his approach involving greater risks, then he certainly does not admit as much.

One of the first communities to feel Dr Mahathir's shock treatment has been the British business community. Keen to provide fresh impetus to the NEP and irritated at the "overly negative" attitude of British companies to the dilution of foreign control—particularly in the sensitive plantations sector—the Prime Minister has "declared war" on the UK.

Alongside the directive not to buy British goods wherever possible, the Malaysian Government has sponsored a huge sharebuying operation to bring British-owned plantation companies under Malaysian control. The effort has succeeded, though it may have cost the Government about M\$3bn. "We are prepared to pay the price," says Dr Mahathir.

This heavy purchasing programme could hardly come at a worse time for the economy. World recession is at last beginning to take its toll inside Malaysia, with all commodity prices at record lows. About M\$4bn is in the process of being cut from this year's budget and even sterner measures will be needed if the recession continues.

The damage being done by the recession—seen as being the result of ill-conceived and irresponsible economic management in the U.S.—has taught Dr Mahathir's Government an important lesson. As an exporter of primary commodities its economy is too reliant on the fate—and the whims—of the world's major economic powers.

In future, in an effort to insulate the economy, greater attention is likely to be given to building up the country's own industrial base. Its own market of 14m people may be small but it is increasingly affluent. Moreover, put into the context of the fast-growing ASEAN region, even the problem of a small market may not become serious.

After a decade of remarkable stability in the region Dr Mahathir and his team are increasingly concerned that world powers like the U.S. have come to take this stability for granted.

What has been forgotten, Dr Mahathir notes, is that this stability is based on the premise of rapid economic growth. Lose the growth momentum and such stability can no longer be taken for granted, even in a country as apparently sound as Malaysia. Resurgent Islamic fundamentalism and the constant threat of Communist insurgency mean that the industrialised West neglects this region at its peril.

David Dodwell

MAIN POLITICAL PARTIES

Within the ruling National Front coalition:
UMNO: the United Malays National Organisation, supported by the Malay community and the dominant party in the ruling coalition. The leader of UMNO automatically becomes Prime Minister.
MCA: The Malaysian Chinese Association: the "establishment" Chinese political party usually closely associated with

the business community.
The opposition:
DAP: The Democratic Action Party. Claims to be a multiracial party and has some non-Chinese members but attracts mainly middle class and poorer Chinese voters.
PI (sometimes known as PAS): Part Islam: Fundamentalist Muslim party, once part of the ruling coalition, advocating stricter Islamisation in Malaysia.

MAIN RACIAL GROUPS

Bumiputras: Literally "sons of the soil," usually defined as "the Malay races"; these form the majority of Malaysians (around 52 per cent) and are made up of Moslem Malays on Peninsular Malaysia and Malays and indigenous tribal people in the eastern states of Sabah and Sarawak.

Malaysian Chinese: A substantial minority of Malaysians (38 per cent) are ethnically Chinese. There are significant Chinese populations in Sabah and Sarawak.

Indians: Make up around 10 per cent of the population of Peninsular Malaysia.

	Chinese	Indians	Others
Total population 1980 (m)	2,920	1,188	802
Peninsular Malaysia:			
Malays	6,120	1,245	1,052

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Economy set to weather bad spell

PROSPECTS for the Malaysian economy under the cloud of world recession are far from bright. Last year saw the first trade deficit in the country's history as commodity prices plunged to record lows and Malaysia's terms of trade deteriorated by 17 per cent. The Government has called for austerity and is to make deep cuts in spending, mainly on defence.

But this deterioration should not be allowed to obscure the very real achievement of the past 25 years. Economic growth has averaged more than 8 per cent over the "past decade". Gross Domestic Product (GDP) has more than quadrupled to M\$28bn.

Even more significant, from a classic colonial plantation economy in 1960 relying on rubber for 62 per cent of its export earnings and tin for a further 17 per cent, the country has diversified strongly into manufacturing—which now accounts for almost 20 per cent of exports—and into new commodities like palm oil (9 per cent of exports) and timber (14 per cent of exports).

The discovery of oil and gas has also made a considerable difference. Oil exports now account for almost 28 per cent of export earnings.

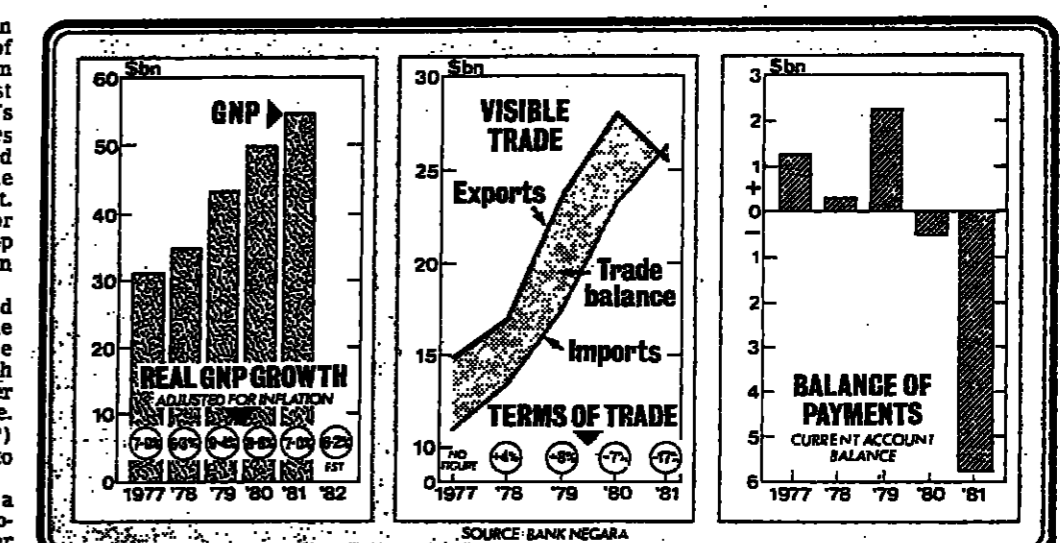
It is a measure of the country's resilience that economic growth for the present financial year is still targeted for 6 per cent and that strong counter-cyclical policies are to be maintained to keep the worst effects of the recession at bay.

Officials also emphasise that the recent call for austerity—about M\$4bn is to be cut from Government spending this year—is a precautionary rather than a crisis measure.

"In fact the recession may prove to be a blessing in disguise," said one senior Government official. "The economy has been expanding relentlessly since independence and it may be useful to stop and take stock. When you are flush you may not be allocating resources in the best way. This will force us to economise."

Sanguine as officials may still be, the country's balance of payments problems are severe. Following a "visible" trade surplus of over M\$7bn in 1979 and of almost M\$5bn in 1980, Malaysia last year suffered a deficit for the first time in its history—of M\$890m.

Current indications imply 1982 will be even worse. The visible trade deficit for the first quarter of the year was M\$460m as export earnings fell a further 8.9 per cent in annualised terms. Tunku Razaleigh Hamzah, the Finance Minister, forecasts a trade deficit for the year of over M\$2bn. Added to the usual deficit on services this is likely to lead to a current



SOURCE: BANK NEGARA

Malaysia into a new and third phase in its post-colonial economic development.

In the early years after independence priority was given to import substitution. But this aim was soon modified, mainly because the smallness of the local market and the comparative poverty of the population made economies of scale impossible.

In the second phase emphasis has been put on export promotion. For a country like Malaysia this has brought tremendous rewards. But the recession now gripping the West has underlined to the Government in Kuala Lumpur that this preoccupation with exports has made the country over-dependent on the fortunes—and the economic whims—of governments over which it has no control.

In addition, declining confidence in international commodity agreements, which are seen as being manipulated in the interests of consumer countries, has convinced many that it is dangerous to rely in future on raw commodity exports.

So Malaysia will in future be re-examining the value of import substitution. Its domestic market may be small but if taken as part of the ASEAN region then it may be viable. Malaysians are also much wealthier and have stronger material ambitions.

There is likely to be a strong drive to broaden the country's manufacturing base. Industries based on its oil and gas resources are already being set up. Agro-processing industries, particularly in timber and rubber, will be built up despite resistance from countries in the industrial West.

Then there are pressures to achieve targets set by the new economic policy. This policy, laid down in 1970, is now well past the half-way mark and

there is some concern that the aim of transferring 30 per cent of the country's corporate wealth to the indigenous population by 1990 may not be met without a fresh impetus.

For this reason the Government last year set about buying out major foreign plantation interests in the country. The short-term cost was very high—perhaps M\$300m—but the Government is confident that long-term benefits will come from bringing these companies under domestic control. Unhappily, this heavy purchasing programme coincided with the present export slump and has at least in the short-term added to the country's balance of payments problems.

All of these changes call for maximum effort from the country's still largely unskilled workforce. They explain why Dr Mahathir Mohamad, the Prime Minister, has called for the people to "Look East"—to Japan and South Korea.

Since Japan is by far the country's biggest trade partner and its second largest investor (after Singapore), this policy might simply be seen as the Government realising on which side its bread is buttered. But at the same time much can be gained from instilling the Japanese work ethic in Malaysia's rather happy-go-lucky workforce and by adopting Japan's extremely successful work methods.

Recession has slowed growth in Malaysia and is certain to cause short-term problems. But in the longer term the country has the ingredients for strong growth. Unlike most countries in the developing world it has all the resources it needs to generate its own development. With natural gas about to come on stream next year the industrialisation process is perhaps just about to begin.

D. D.

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Politics

Sweeping victory at the polls last April has given Dr. Mahathir Mohamad and his administration a powerful platform to initiate new policies. This page reviews the political scene and profiles some leading members of the new government team

Strong backing from electorate

THE NEW administration of Dr. Mahathir Mohamad went to the polls in April this year to win a mandate from the country's 14m people — and came away with the most resounding success ever scored in Malaysia's 25-year history.

The Government's national coalition, dominated by the United Malays National Organisation (UMNO), the country's dominant party and the leading coalition partner, Leadership of UMNO carries with it national prime ministership and control of the Government's extensive machinery of patronage.

For all that, elections perform a valuable function in Malaysian politics, mainly allowing the Prime Minister to reshuffle his party and his government. This April's election was no exception. Dr Mahathir's re-election of seats among coalition parties (coalition rules forbid contests between member parties) and between individuals and factions within parties was extensive.

Inside UMNO, for example, only 38 of the party's 69 federal members were re-nominated. At the state government level 106 of the 198 sitting members were replaced.

For Dr Mahathir this reshuffle was more than usually important. It allowed him to bring in phalanxes of "new style" leaders, university-educated technocrats, untainted by the corruption implicit in local patronage machines and above all loyal to him and the federal government.

State governments, which have considerable autonomous powers and have in the past been a thorn in the side of federal governments, are likely to be much more compliant to Dr Mahathir's needs than those in place before the April elections.

Two exceptions are likely to be the government in Malaysia's eastern states of Sabah and Sarawak. Separated from the peninsula by 1,000 miles of the South China Sea, leaders there have always tended to plough their own furrows.

In Sabah fierce rivalry between the ruling Berjaya party and the United Sabah National Organisation (USNO) overrode the co-operation that should be implicit between two parties that are both members of the national coalition.

When Dr Mahathir allowed USNO to contest five federal seats in the state, Datuk Harris Salleh, the Berjaya leader, flouted coalition rules by asking five of his members to "resign" and stand against the USNO candidates as "independents".

Berjaya and its independents swept the board, giving a direct snub to Dr Mahathir. This may not, in due course, go unpunished.

In Sarawak the main shock was the unexpected victory for two candidates from the opposition Democratic Action Party (DAP). The surprise reversal was seen as a sympathy vote, since the poll in Sarawak took place several days after DAP defeats on the peninsula had been announced. But it was also a warning that the large Chinese community there is becoming restive about the effects of federal policies discriminating in favour of ethnic Malays.

For Malaysia's opposition parties the election must have been a rather frustrating experience. The election campaign was limited to 15 days, with a total ban on outdoor rallies — both factors greatly to the advantage of the ruling parties.

Opposition resources were tiny by comparison with those of coalition candidates, who not only tended to get the backing of big business but also often found the Government machine at their disposal.

Even where opposition support is strong — particularly in the Chinese-dominated urban areas — constituency boundaries

are drawn in a way that greatly hinders chances of opposition success. For example, the densely Chinese-populated constituency of Petaling Jaya in Selangor has an electoral roll of almost 115,000. The peninsula's smallest constituency — inevitably it is in a rural, Malay community — has just over 24,000 votes.

Given this weighting in favour of the Government the consistent support for opposition parties is surprising. Even in the latest polls, where the result would imply a strong swing to the Government coalition if measured in terms of seats won, opposition support stayed remarkably solid.

The Chinese-backed DAP lost 10 of the 15 Federal seats it had won in the 1978 election but its voter support fell by a bare 1 per cent to 20.3 per cent.

Similarly, the opposition Parti Islam, which as its name would imply wins backing from the more conservative Malay voters concentrated in the four states of Kelantan, Trengganu, Kedah and Perlis, managed to win just five Federal seats. Its support nationwide is just 14.5 per cent but it won almost 47 per cent of the vote in Kelantan and over 41 per cent in Trengganu. Even in Kedah, the home state of the Prime Minister, it won the support of over 32 per cent of the electorate.

While Dr Mahathir can draw comfort from the parliamentary majority he has won it must be a matter of concern that such a large percentage of the population remains impervious to the appeal of coalition parties despite the weight of the propaganda machine mobilised during elections and despite the amount of patronage which support for the coalition can ensure.

David Dodwell

Some papers have enthusiastically called it the "Mahathir transformation." Certainly Dr

Maahathir's past year in office as Malaysia's fourth Prime Minister has brought about a change in style and direction and heightened the expectations of the population.

He has shaken many an establishment. Civil servants may still grumble but they, nevertheless, have to clock in for work, wear name tags across their chests and declare their assets.

The generals have been told, and have accepted gracefully, that they have to do with less men and less expensive weapons systems under the present difficult period.

In the political and corporate spheres Dr Mahathir and his deputy, Datuk Musa, have planted their men at strategic positions. They have succeeded in chipping away the once paramount influence of Tengku Razaleigh, the Finance Minister, in the economy.

The charismatic Datuk Harun, regarded as the third most powerful politician, is held in check. The Prime Minister is giving him no cause to rebel and Harun stays on the political sidelines, shackled by the constraints imposed by his jail term.

Dr Mahathir promises to install "the fear of God" among the corrupt and there are visible signs of unease among those

who have amassed ill-gotten wealth.

But for all that the Mahathir regime remains fragile, uninstitutionalised. His major policies have not been severely tested as to their worth and durability.

His "Look East" policy has generally been met by confused perplexity among planners, not to mention chagrin among Malay intellectuals.

Dr Mahathir wants his rule to provide the launching pad for Malaysia to leap into the front ranks of the nations. Only time will tell whether Malaysians can live up to his expectations of them.

Wong Sulong

PROFILE: DR MAHATHIR MOHAMAD

Leader with strong ideas

PROFILE: ANWAR IBRAHIM

Guiding hand for Islam's role

PRIME MINISTER Dr Mahathir Mohamad pulled off a notable pre-election coup earlier this year when he persuaded the charismatic Muslim intellectual, 35-year-old Anwar Ibrahim, to join the United Malays National Organisation (UMNO), the principal Malay element in the ruling National Front coalition.

Anwar headed the highly respected Muslim youth movement, Abim, and brought with him a solid wedge of reputable Islamic support which might otherwise have gone to the fundamentalist Muslim Party, Parti Islam (PI).

Anwar first came to prominence following the May 13 riots in 1969 which threatened to split Malaysia along

racial lines. He was a sufficiently popular student leader at the University of Malaya to attract the attention of the security authorities; he was detained under the Internal Security Act for consistently acting "in a manner prejudicial to the security of Malaysia" with the ultimate aim of overthrowing the legally constituted government of Malaysia by unconstitutional and revolutionary means.

Back in political favour, together with Dr Mahathir who similarly suffered a political eclipse in the early 1970s, Anwar Ibrahim is now a deputy minister in the Prime Minister's office with special responsibility for the introduction of Islamic con-

cepts into the country's highly pluralistic society—a task fraught with political dangers. UMNO has to tread a delicate path in order to represent Malay interests, while containing the appeal of religious fundamentalism, temporarily rejected by voters but fuelled by Islamic nationalism abroad.

While suffering a decline—Anwar soundly beat his PI opponent in the election—the more theocratic party won enough seats in the eastern states to maintain a credible presence there. The Islamic missionary groups, moreover, continue to make headway, particularly among young well-educated Malays.

Kathryn Davies

PROFILE: ISMAIL ALI

Investment head

MOST central bank governors, after 20 years in the post, would be glad to retire with honours for a well-earned rest. But not Ismail Ali.

He did get his honours—a township (corresponding to a parish)—but after putting in his own protégés at the Malaysian Central Bank in 1980 he went on to head the Government's investment agency, Permodalan Nasional. Today the 63-year-old Cambridge-educated "Tun" Ismail is indisputably Malaysia's most influential corporate figure.

As the Permodalan chief he has the job of ensuring the success of the new economic policy—a 20-year blueprint for the nation's stability through the acquisition of at least 30 per cent of the nation's corporate wealth by the Malays and other indigenous peoples (the Bumiputras).

In 1970 the Bumiputras held less than 3 per cent of this corporate wealth. They now control around 15 per cent.

To do his job Tun Ismail, who is Dr Mahathir's brother-in-law, has virtually a blank cheque from the Government to buy, take over or invest in Malaysian companies.

Permodalan now has stakes in nearly 100 companies and its assets are worth over Ringgit 3bn. The agency controls such giants as Bank Bumiputra, Malayan Banking, Sime Darby, Guthrie and Malaysia Mining Corporation. Major recent deals include the purchase of 51 per cent of Harrison's Malaysian estates and the takeover of some strategic companies of the Selangor State Government.

As at the central bank Tun Ismail keeps his Permodalan

team compact. As far as possible, he says, Permodalan will not interfere in the running of individual companies. "If they are making money and complying with the new economic policy we should leave them alone."

W. S.

PROFILE: ERIC CHIA

Top industrialist

ERIC CHIA is perhaps the best illustration of what Dr Mahathir means by "looking East."

There is nothing mysterious about the Japanese management and work style, says Eric Chia, a burly six-footer. "The Japanese work hard and are more human in their approach. With certain modifications we can do it here."

At United Motor Works, where he is chief executive, this Japanese style is being put into action. Decisions are reached by consensus, first among the five executive directors, then later with the operational directors, before the department heads and supervisors are finally brought in. This tends to slow down decision-making but the message gets across effectively.

UMW spends a lot of money and time on forging closer links among its 8,000 employees. Free Malay and Japanese classes as

well as lessons in cooking and flower arrangement are provided and employees sing a company song like their fellows in Japan.

UMW was begun as a bicycle and car spare parts shop in Singapore by Eric's father 50 years ago, but it was Eric Chia, operating from Malaysia, that built UMW into a billion-ringgit business today.

UMW, which is involved in distribution of heavy equipment and in engineering and manufacturing, pulled off a corporate coup last year by wresting the Toyota car franchise in Malaysia from Indochina.

Eric Chia, 49, freely admits his debt to the Japanese and Malaysia. The Japanese helped him by giving him agency lines on liberal credit while Malaysia provided him with a home.

Today, of the Ringgit 154m in paid-up capital of UMW, the Malays hold 32 per cent and the Chia family 28 per cent and the

Malaysian and Singaporean public the rest.

Besides UMW, Eric Chia sits on the board of several major companies, including the Heavy Industries Corporation of Malaysia, and is a member of Dr Mahathir's panel of economic advisers.

W. S.

PROFILE: AZMAN HASHIM

Corporate banker

AFTER MORE than 20 years as a banker it is very exciting to own a bank," says 43-year-old Azman Hashim, who paid Ringgit 56m last April for 55 per cent of Arab Malaysian Development Bank. He has subsequently ended Malek, former director of corporate planning at Sime Darby, to be his managing director.

The two will make a formidable team. They represent the emerging breed of Malay bankers—bumpkin-bankers—who have solid professional backgrounds who are reshaping the Malaysian corporate scene.

Azman joined the Malaysian Central Bank in

1960 after returning with an accountancy degree from Australia. He left four years later to start his own practice and joined Malayan Banking's board in 1966. He was its executive director until last year. Cambridge-educated Malek was deputy secretary general at the Treasury before he joined the private sector.

"Arab-Malaysia is Malaysia's biggest merchant bank but we want to make it the best as well," says Azman. He sees many opportunities for merchant banking since Malaysia is growing rapidly and the financial market is beginning to mature.

W. S.

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MALAYSIA IV

Foreign Policy

Some shifts but commitment to Asean group stays firm

MALAYSIA'S foreign policy has had a thorough shake-down over a year of Dr Mahathir's government. New initiatives have been taken aimed at resolving the conflict in Indochina, a chill has fallen over official relations with Britain and in attitudes towards the role of the Commonwealth. A militancy has arisen over international commodity agreements and a "Look East" policy has been earnestly espoused.

Yet for all the appearance of sudden breaks with past policies Malaysia's overriding and distinctive foreign policy priority remains unchanged. It was first articulated by Tun Razak in 1971, who called in vain on ASEAN to make a "declaration of neutralisation of South-East Asia."

More recently Malaysian governments have called for South-East Asia to be made a "zone of peace, freedom and neutrality," with Super-Power influence kept to a minimum.

The concept has never formally been adopted but the spirit of Malaysia's call has been shared by its regional partners and substantial progress has been made.

While genuine concern remains over the struggle for power in Kampuchea, a level of calm and stability has been achieved in the region that would have seemed inconceivable in the 1960s.

At that time the Vietnam war shook the region. The fear of Communist infiltration and insurrection, encouraged by an extreme and xenophobic regime in Peking, was acute.

From the south President Sukarno of Indonesia threatened neighbours with "confrontation." The Philippines were making territorial claims on parts of the embryonic Federation of Malaysia. Even closer to home Lee Kuan Yew in Singapore was following a political path which made break-up with the tiny island state inevitable.

The Association of South-East Asian

Nations (ASEAN), first mooted in 1967 by Indonesia in the wake of President Sukarno's overthrow, has played a primary role over the past 15 years in pouring oil on the region's troubled waters. As it has grown in maturity it has also been instrumental in keeping Super-Power contention to a minimum.

Malaysia's main foreign policy concern today is Indochina—or more specifically the presence in Kampuchea of the Vietnamese-installed Heng Samrin government and Vietnam's 180,000-strong occupation force in the country.

For three years the ASEAN member states have led the diplomatic efforts to end the conflict in Kampuchea. At first this joint effort played an important part in strengthening ASEAN and encouraging close co-operation between them.

But as time has passed, and international interest in the issue has faded so differences in perception have emerged among ASEAN members, with each having a distinctive perspective on the

nature of the Vietnamese threat to the region, the longer term threat from China and the best tactics for achieving a settlement.

Committed to a war of attrition against Vietnam, ASEAN has found its own unified stand crumbling faster than the Vietnamese, attrition or no attrition.

Aware of this trend and aware that support is eroding from its position inside the UN General Assembly, where it continues, albeit embarrassedly, to endorse the membership of the genocidal Khmer Rouge regime — ASEAN has worked steadily to set up a Khmer coalition government in exile.

That effort at last bore fruit this summer when the Khmer Rouge joined with Prince Norodom Sihanouk and former Khmer Prime Minister Son Sann in Kuala Lumpur to establish a tripartite coalition.

Few people are willing to argue that the coalition will survive for long — it is a marriage of dubious convenience

—but it allows ASEAN to go to the General Assembly this autumn and ask members to back the coalition against Heng Samrin instead of again asking support for the Khmer Rouge regime.

In the wake of a major tour of the region by Nguyen Co Thach, Vietnam's Foreign Minister, no one would dare claim that progress on substantive issues has been made. Life in Kampuchea under the Heng Samrin regime seems steadily to be returning to normal. Prospects of Vietnamese troop withdrawal remain dim without a significant softening of China's attitude towards Vietnam.

If there is any softening it is on the part of ASEAN members, where doves like Malaysia and Indonesia are adamant that doors to Hanoi must be kept open. Even the hawkish Singapore Government is quietly discussing the likelihood of Heng Samrin being persuaded to join the recently established tripartite coalition — perhaps at the expense of the Khmer Rouge.

The conviction inside Malaysia remains strong that a stable Vietnam will in future be an important buffer against China — others inside ASEAN share that view.

But while Malaysia's hope for peace, freedom and neutrality in the region comes closer to fulfilment than at any time in the past 21 years a new shadow has appeared over the horizon.

Western governments, particularly that of the U.S., seem to have forgotten that the often-lauded stability of the strategically important South-East Asian region is premised on rapid economic growth. The loss of growth momentum, if not soon corrected, will introduce new and dangerous elements of instability among people who have in the past few years become used to 10 per cent annual growth and have acquired a taste for the luxuries of life.

David Dodwell

Britain gets the shock treatment

DR MAHATHIR MOHAMAD, Malaysia's Prime Minister, is a firm believer in the political and economic value of shock treatment. No community in Malaysia at the moment will be more acutely aware of that fact than the British.

Piqued by what was often felt to be smugness and complacency by British businessmen who had rested for too long on the remnant laurels of colonial power and affronted by snubs which made it all too clear that British Ministers had scant regard for what Malaysians still saw as a "special relationship" with the motherland, Dr Mahathir last October issued a directive that sent shockwaves through the British expatriate community — and through Whitehall.

Insisting that all Government contracts involving British tenders must come directly to him, Dr Mahathir imposed what amounted to a boycott of British goods. Given a choice between competitive tenders the Government would in future reject the British tender.

The policy remains intact to this day, with attempts to calculate Britain's export losses ranging between \$30m and hundreds of millions.

UK Trade Directive: "Everything else being equal, or even slightly unequal, we would buy non-British. If the difference in price is, say, 5 per cent we would still buy non-British." Dr Mahathir Mohamad.

Neither Whitehall nor British business interests yet know quite what has hit them; nor do they know how best to respond.

Dr Mahathir's shock treatment against Britain came as a bolt from the blue for at least two reasons. First, it was always felt that Britain had made a great success of weaving Malaysia to full independence without violence or anti-colonial upheaval. Britons back in London may not have been aware of the "special relationship" expressed by Malaysians but those in Kuala Lumpur or elsewhere in Malaysia basked in it daily.

Secondly, Britain's pre-eminent position as Malaysia's main trading partner had long since been eclipsed by Japan. It has always been thought that it was the Japanese who were resented in the region as a predatory "economic animal."

What the British failed to note adequately was Dr Mahathir's personal bias against Britain and his desire to demonstrate vividly his unwillingness to remain a victim of a patron-client trading relationship in which Malaysia supplied raw materials for the manufacturing industries of the West.

They failed to realise what a convenient scapegoat they were as Dr Mahathir strove to instill a stronger sense of national dignity and — through his "Look East" policy — to inject more vitality into the work ethics of Malaysia's easy-going people.

Many of Dr Mahathir's grievances were genuine. By raising UK university fees Mrs Thatcher's Government had created real difficulties for a country with over 15,000 students currently in Britain.

Anger in the British business

community over Malaysia's "predations" on companies quoted on the London Stock Exchange with substantial plantation interests on the peninsula was rightly seen as hypocritical and unjust.

The uproar in London endorsed Dr Mahathir's view, expressed in his book "The Malay Dilemma" over a decade ago: "Europeans came out east not to conquer but to trade. In the quest for trade, however, they were prepared to do anything. They made treaties and they broke them. They were in fact completely unscrupulous."

But as the quotation makes clear Dr Mahathir said the predatory attitude was as common to Europeans, not exclusively to Britain. This adds to the perplexity among Britons that they should be so singled out.

It has nevertheless become clear that Dr Mahathir's directive was not a nine-day wonder. Malaysia wants not only to break the British hold on its door but to break British investors' investment in plantations and other areas of colonial interest is not enough. Improvement in relations will only come over time and after painstaking effort.

D. D.

Relations with Singapore in happier vein

RELATIONS between Malaysia and Singapore have undergone a transformation over the past 10 years. Prime Minister Dr Mahathir Mohamad recently said: "Singapore's success story in the economic and social fields cannot but be a model for Malaysians rather than an object for envy. What we do within our own country is therefore contributory and complementary towards each other's progress."

This was a marked shift from Dr Mahathir's view of Singapore in 1970, which he articulated in his famous polemic, *The Malay Dilemma*: Singapore stands out like a sore thumb. Singapore's progress and prosperity must depend on, indeed must be at the expense of, her neighbours... the only reason why the relationship between Malaysia and Singapore is not more strained than it is now is because the Chinese in Malaysia wish to maintain good relations with Singapore.

Mahathir was not alone among Malaysian politicians to have his suspicions of what one Singaporean re-

ferred to as "this separatist or a young state." Relations between the two governments were unhappy from the creation of the Federation of Malaysia in September 1963; the Malays were only just in the overall majority in the new entity and feared that Lee Kuan Yew's tiny Chinese City State would end up calling the political tune, whereas the unofficial arrangement, in the eyes of Kuala Lumpur, was for the Chinese to run the economy and the Malays the politics.

In a welter of mutual recriminations the two countries went their separate ways in August 1965. Mahathir subsequently spent out in his book some of the areas of conurbation: Malaysia's over-dependence on Singapore as a trading partner; discrimination against the employment of Malaysian nationals in Singapore and the close economic ties between Chinese families on both sides of the causeway which seemed to threaten Malaysia's economic strategy.

Not all causes of friction

have been overcome but there has been a profound change in the public attitudes of both governments towards each other and Singapore. Lee Kuan Yew went out of his way to congratulate Dr Mahathir when he became Prime Minister.

Economic success has bred greater mutual respect. Malaysia's own evolving economic maturity and the diversification of the Singapore economy have left the two countries less wary of each other. Interdependence, however necessary but once bitterly resented in Kuala Lumpur, is now seen to have advantages.

Malaysia has improved its infrastructure, including vital arterial highways and ports, in an effort to trade directly with the rest of the world and not exclusively through Singapore. The City State, for its part, no longer considers that the Malaysians "are taking away our rice bowl" as Singaporean diplomats put it.

On the political front, strains over Brunei, the tiny oil-rich sultanate sandwiched between the eastern Malaysian states of Sabah and Sarawak, due to become fully independent from Britain in 1983, have also been soothed. Malaysia has dropped all territorial claims to Brunei and is actively fostering its independent membership of ASEAN, thus allaying Singaporean fears that the balance of regional power might be drastically upset.

To ensure that bilateral relations remain at this relatively cordial level an inter-governmental committee, agreed during former Prime Minister Hussein Oni's visit to Singapore two years ago, meets every six months to act as a forum, says one civil servant. Problems which might otherwise escalate into major confrontations can be dealt with early enough to nip them in the bud.

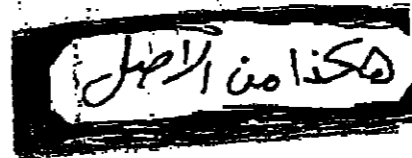
Dr Mahathir has taken this initiative one stage further. His civil servants have been told to co-operate with their Singapore counterparts, ignoring any residual racial antagonisms which might be felt between a predominantly Malay bureaucracy and its Singaporean Chinese equivalent.

Kathryn Davies

Focus on Japan as exemplar

A PARTY of young Malaysians — 135 in all — are shortly to pioneer an experiment which could have far reaching consequences both for their country and for its new-found model, Japan. They are the first of several groups of industrial trainees to be sent to big Japanese corporations for on-site familiarisation with the work ethics which have contributed to Japan's post-war economic success. In the next two years about 900 Malaysians will undergo similar training with world-famous names such as Matsushita, Nippon Steel, Hitachi, Sanjo and Toyota.

It is the first time that Japan has ever co-operated on such a programme involving so many young British workers, although a number of British students have been sent to Japan for similar courses in Britain, Australia and the U.S. None the less, the successful implantation of the Japanese psyche into Malaysian workers is regarded as such a programme involving so many young British workers, although a number of British students have been sent to Japan for similar courses in Britain, Australia and the U.S. None the less, the successful implantation of the Japanese psyche into Malaysian workers is regarded as such a programme involving so many young British workers, although a number of British students have been sent to Japan for similar courses in Britain, Australia and the U.S. None the less, the successful implantation of the Japanese psyche into Malaysian workers is regarded as such a programme involving so many young British workers, although a number of British students have been 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The Chinese

Malaysia's substantial Chinese minority—ranging from the well-to-do businessman to the rural smallholder—are looking to the new political coalition to give a more sympathetic ear to their demands as a community. KATHRYN DAVIES reports below, with profiles of a representative trio.

Search to integrate aims within a multiracial society

THE POLITICAL choice for Malaysia's substantial Chinese minority in the years since the race riots of May 1969 has been either to work within a Malay-dominated government coalition, seeking modifications to or compromises with the New Economic Policy, or to confront the Malay majority by fighting for specifically Chinese economic and social rights. They had to make their choice in the context of political parties organised on racial lines, with the Chinese vote split largely between the Malaysian Chinese Association (MCA) and the Democratic Action Party (DAP). For the moment a substantial part of the Chinese community seems to have decided that the conservative business-

orientated MCA is more effective, an impression that was reflected in the ruling coalition's sweeping victory in May. The opposition DAP suffered severe setbacks at both national and state levels, with its representation cut from 18 to 9 parliamentary seats and those at state level from 25 to 16 seats. The MCA increased its parliamentary strength from 17 to 24 seats (out of the 28 it contested).

The campaign style of the 2-Ms (Mahathir and Musa) undoubtedly had its appeal to a Chinese population whose own work ethic coincided neatly with "a clean, efficient and trustworthy" government. The fact that Dr Mahathir's exhortations to Malaysians to work

harder and more productively, together with the "Look East" policy, were seen to be directed mainly at the Malay majority, also went down well with other races.

As the MCA argued to some effect, under the Malaysian political system the benefits of development tend to go to constituencies which return pro-government candidates: "The DAP can shout all the cows come home" notes one political scientist. But the swing away from confrontation politics may not survive the next election unless the MCA can prove its point.

During the election campaign Dr Mahathir sought to woo MCA voters by promising to pay special attention to

the views of party leader Datuk Lee San Choon in cabinet. But the more radical members of UMNO, and particularly its youth wing, are ever-vigilant for signs of any backsliding in the implementation of policies designed to give the Malays a bigger share of the country's economic cake. Even if he wanted to accommodate the needs of the Chinese, Dr Mahathir's room for manoeuvre is limited—and so is that of the MCA.

Successful Chinese businessmen such as MUI's Khoo Kay Peng, Tan Koon Suan of Multipurpose and Supreme, Lim Goh Tong of Genting Highlands and Chua Boon Uan of Cycle and Carriage have undoubtedly found it possible to live prosperously in the new political climate

and are happy to give their public endorsement to Dr Mahathir's government. But anxieties remain, particularly for those outside the Chinese business elite to whom the MCA must appeal for broad-based support.

About 700,000 Malaysian Chinese have outstanding applications for citizenship which are repeatedly deferred for reasons which seem obscure. Chinese complain that they have difficulty in acquiring passports for overseas travel. Politicians of all Chinese political parties point to boundary changes, which have made many constituencies "top-sided"—heavily dominated by Malays.

The most sensitive issue throughout

the Chinese community remains education and with the effective demise of the idea of a new Chinese university the focus is on the official policy of deliberate discrimination in favour of Malay university entrants. Chinese parents who can afford to send their children abroad, while among those who cannot, resentment is growing. Virtual desertions from entry into the civil service is another concern for middle-class Chinese with professional qualifications. MCA Senator Tan Koon Suan noted recently: "Today the Malaysian Chinese are still in the process of identifying their dilemma and a magical formula to the solution of their problems is still far away."

THE SHOPKEEPER: LOH WAH ON

Typical of the many small family businesses

MOST CHINESE share the same values: hard work, thrift and reverence for education. But the conventional stereotype of the wealthy Chinese, an inspiration in his own community and an irritant to many outside, applies only to a minority of successful entrepreneurs in Malaysia. More typical is the small businessman with a family or clan-orientated commercial or industrial business. Such people have traditionally regarded the MCA as the party of the powerful and have tended to vote in large numbers for the opposition DAP. But Chinese political allegiances may be changing.

In any case, according to leaders of the Malaysian Chinese business community, mostly closely allied with the MCA—the days of the small man are numbered. The increased economic participation of bumiputras (Malays) backed by the Government, together with a much more sophisticated business environment, are putting the lone entrepreneur under threat.

But this news of their imminent demise does not yet seem to have filtered down to the estimated 125,000 to 300,000 small enterprises (defined as units which employ fewer than fifty people and have fixed assets below M\$250,000) that still seem an integral part of economic life not just in Malaysia but all over Asia. In one of the most popular shopping complexes in Kuala Lumpur one finds a labyrinth of boutiques, beauty parlours and open-fronted video equipment emporiums, blaring out a deafening cacophony of Western Chinese and Malay pop music. There sits the small Chinese entrepreneur, often employing other family members and working a 12-hour day



for a loan of M\$50,000 from the Credit Guarantee Corporation, set up to help small enterprises. The CGC limits loans to non-bumiputras borrowers to M\$100,000 at 8.5 per cent interest.

Wah On bought his second floor shop last year for M\$70,000 and installed a complete set of film processing and printing machinery. He employs two counter sales girls and his sister is helping out. He solved his cash flow problem by doing work for cash only and not extending credit.

Politically he is a conservative, having little time for those members of his community who campaign for Chinese language education and a Chinese university. He intends to send his two children, aged 4 and 5, to bahasa or national schools. "I personally believe, because I've studied the problem quite deeply, it doesn't matter what language you speak at school, the important thing is what kind of training you get... and since this country wants us to study bahasa, we might as well study bahasa."

However, what worries him much more than national issues—about which he is optimistic—is the possibility of competition in the photo-processing business. "I should not be happy if somebody sets up a business of this kind in this complex. It will give me a big problem."

When it is possible Wah On intends to move down to the ground floor to a more prominent location. But although he believes that his six-day, 72-hour week will bring him a good living, he is not listening to those who advise him to think big. "Don't make me out to be a future big industrialist or anything like that," he says.

Business is good now, but a few years ago Wah On was close to bankruptcy. The 34-year-old returned from a three-year training and job experience course in West Germany with M\$5,000 of savings and a determination to start up on his own. (Most small-scale Chinese businesses start with capital of less than M\$10,000.) "I got into debt, big debts. Basically it was a matter of cash flow. My family comes from the kampong (village) and I'm without any family [financial backing]."

By this time Wah On was married and his wife, who owns her own boutiques, and her family chipped in to clear his debts. Then he was eligible

for a loan of M\$50,000 from the Credit Guarantee Corporation, set up to help small enterprises. The CGC limits loans to non-bumiputras borrowers to M\$100,000 at 8.5 per cent interest.

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THE POLITICIAN: DATUK LEE SAN CHOON

Cabinet member and voice for his people

A NEWLY recruited civil servant arriving, as he thought, early at the office was startled to discover Minister of Transport and MCA (Malaysian Chinese Association) President Datuk Lee San Choon already at his desk, having arrived for work before 7 am. That may in part be a nod towards Prime Minister Mahathir's efficiency drive but it is also a measure of the heavy pressure on Lee and his MCA colleagues to produce results following their election successes last May. "They are on trial" says one political commentator. "In fact they may not be entirely happy that they now have to deliver the goods."

The MCA is still seen very much as the political arm of rich Chinese businessmen and Lee himself, a reputedly wealthy man, as the epitome

of the links between the two communities. He was one of the architects of Multipurpose Holdings, the MCA "corporate arm" designed to channel Chinese investment into productive areas at a time when the New Economic Policy threatened to throw Chinese businessmen on the defensive. Under the guidance of MCA Senator Tan Koon Suan, Multipurpose bought up a string of malfunctioning companies and made them prosperous and successful. The conglomerate now has a market capitalisation of more than U.S.\$300m.

But for Lee the politician the key question in the next five years is whether he can make a permanent impact on the lives of middle class and poor Chinese. The opposition Democratic Action Party (DAP), with a solid 28 per

cent of the popular vote, stands ready to win back voters who in May threw their weight behind the establishment party in the understanding that if they did so economic fruits would be more evenly spread among the races. The DAP stands more openly for non-Malay interests in a multiracial society but was apparently seen by Chinese floating voters as ineffective.

Lee is a political heavyweight with 23 years' experience as a member of parliament. The third of twelve children of a Pahang dentist he completed his secondary education at the English College in Johore Bahru and reads and writes English and Bahasa, as well as no fewer than eight Chinese dialects. He is a controversial figure, both because of his wealth

and because he is generally reckoned to have a deceptively shy exterior masking a tough, even ruthless, approach to political enemies and friends alike.

It is a measure of Lee's toughness that he took up the challenge thrown down by the DAP's Lim Kii Siang in May to fight in any one of the 12 parliamentary seats with a Chinese electoral majority. He chose to take on DAP chairman Chen Man Hin, who held the Seremban constituency with an 8,000 majority and who had a considerable personal following. To the chagrin of the opposition Lee won the seat, albeit by a small majority. Lee threw the entire weight of the MCA political machine into the contest, as well as making some headway with the argument that in government the MCA



had achieved some results for Chinese interests such as the formation of the Tunku Abdul Rahman College, which increased the places for tertiary education for Chinese students; the Keladi scholarship scheme and the co-operative movements which "have given people a sense of ownership" say the MCA.

THE VILLAGER: YAP KEE YONG

Happy but short of facilities

YAP KEE YONG, 41, gets up at 3 in the morning to collect the latex from the tiny cups strapped to his rubber trees. This task, the first of his working day, will go on until between 9 am and 11 am, unless it is raining, when he will not be able to work at all. On a good day he should be able to sell the latex he has collected to a licensed rubber dealer for between M\$10 and M\$15, although falling world prices are affecting his income. On the days he does not collect the latex either because of the weather or if he is ill, he earns nothing.

Mr Yap is one of 1,200 largely Hakka-speaking Chinese Malaysians in the New Village of Seelong—one of more than 450 such villages throughout Malaysia originally designed by the authorities to isolate potential supporters for the Communist Party of Malaya (CPM) during the Emergency in the late 1940s and the 1950s.

Seelong is about 25 miles north west of the state capital of Johore Bahru. The villagers

were allocated about seven acres of land each on a renewable lease of 21 years. Most of the families in Seelong, like Mr Yap, are rubber tappers. Crops like coffee, palm oil and pepper are also grown.

In the afternoon Mr Yap will plough and cultivate the part of his land not given over to rubber. Although he does not grow enough produce to sell, his vegetables help him and his family of six children towards self-sufficiency in food.

Normally he will work a 10-hour day and a seven-day week. There is little time for leisure and the village has few recreational facilities anyway. There are two grocers, a coffee shop and a community hall. There is no doctor or pharmacy, although a medical team visits the village once a week. When Mr Yap became seriously ill two years ago, he went to Singapore for treatment. "He's a rich man" jokes a friend in the local coffee shop.

Like the other villagers Mr Yap has dug a well on his property which provides his

only water supply. Local streams are used by the women to wash clothes. There is no regular power supply in Seelong but two privately owned generators provide the village with electricity between 6 pm and 6 am at a cost of M\$14 per month per family. Mains electricity, promised before last May's election, has not yet been connected. There is no public transport to the nearest town, Kulai, several miles away, and no secondary school.

Mr Yap joined the opposition Democratic Action Party (DAP) eight years ago and is now the treasurer of his local branch. The village is politically divided and the constituency of which it is part is held by a member of Gerakan, a component part of the ruling National Coalition. All political parties with strong Chinese interests, including the business-orientated MCA, agree that the M\$30m allocated under the Fourth Malaysia Plan to develop the new villages and improve the lives of their 2m inhabitants is grossly inadequate.

Villagers like Mr Yap face additional problems in acquiring more land both for residential purposes to accommodate expanding populations and for cultivation to provide employment. They say that the Land Office in Kulai is slow to process their applications and usually turns them down. Their legal status as lessees of the land they were originally given is also uncertain, as many leases have not been renewed.

Mr Yap says he does not particularly want to leave Seelong, with its uncomplicated life-style compared to that of the cities. He and his friends in the village merely want to see better facilities provided, particularly housing and transport. The only thing that would make him move, perhaps to the state capital, would be the education of his children who will otherwise have to make the arduous journey along the bumpy road to Kulai or Johore every day.

It's not really surprising that Blue Circle has been working in Malaysia for over 30 years.

In any flourishing economy, industrial growth is always marked by an increasing demand for cement. One of the most versatile materials to be found, it features in every aspect of construction from roads to hospitals, schools to airports.

Through its local subsidiary, Malayan Cement Berhad, Blue Circle is part owner of Associated Pan Malaysia Cement—a major cement producer in Malaysia. Over the years, Blue Circle has invested experience and expertise as well as money in helping Malaysia realise her ambitions.

Today APMC can produce over 2 million tonnes of cement a year. More than half of that comes from the new kiln at the Rawang Works, which is the largest in Malaysia and the most energy efficient in the whole of South East Asia. At Kanthan, APMC's other works, a major energy-saving re-building programme is now underway to cut manufacturing costs.

But it's not just for cement that Blue Circle is known in Malaysia. With its diversification into the bathroom business through Armitage Shanks, the Group acquired an interest in the country's biggest manufacturers of bathroom fixtures. The company's factory in Kuala Lumpur is now expected to double output by 1983.

And, other internationally-known products Sandtex and Snowcem are both made at Rawang for sale throughout the country. These ventures reflect Malaysia's enterprise, growing prosperity and increasing

influence on international trade and commerce. It is a success mirrored by the benefits of similar ventures in other developing nations.

All over the world, Blue Circle is able to supply management skills and technology. In partnership with local interests, these investments help speed both progress and prosperity.

In Indonesia, for example, abundant oil and gas supplies are giving rise to industrial development which has merited one of the more ambitious projects in the country for many years. As well as a new cement works, Blue Circle is helping develop a harbour, power station, housing and other amenities. And there are similar achievements in Brazil, Kenya, Mexico, Nigeria and Zimbabwe.

This overseas activity doesn't mean that Blue Circle has neglected its commitment to Britain. On the contrary, Blue Circle is planning a major capital investment programme over the next five years, to improve the output and efficiency of existing cement operations, and investing in a complete new works.

This is just a part of the Blue Circle story. So, if you had no idea just how big Blue Circle is around the world but would like to find out, write to the Group Managing Director, John Milne, at: Blue Circle Industries, Portland House, Stag Place, London, SW1E 5BJ.

Blue Circle Working around the world



up at 3 in the morning to collect the latex. . .

MALAYSIA VI

The decline in prices has bought financial implications for the entire economy. Hope lies in a revival of the world economy.

Commodities

Once-buoyant sector falls on hard times

MALAYSIA'S ONCE buoyant commodity sector has fallen on hard times. The prolonged global recession has sharply contracted demand, leading to a severe drop in prices.

Many tin mines are closing down. Many rubber smallholders have stopped tapping their trees because it is no longer worthwhile.

The timber industry has been in the doldrums for several years, while palm oil growers, who have escaped the recession so far, are beginning to feel the pinch.

"There is nothing very much one can do but hope for an early revival in the world economy. That's the only thing that will lift prices," says a Malaysian plantation owner, reflecting the general view among the country's commodity producers.

Since Malaysia is still largely a resource-based country, the decline in commodity prices is being felt throughout the economy.

An indication of the financial implications can be seen by how far projections of the Treasury have gone out of line with the actual situation—and Malaysian Treasury estimates are by nature conservative.

Last October, when the 1983 budget was presented, the Treasury was forecasting that Government revenue in the form of export duties on rubber and tin would be Ringgit 800m and 330m respectively.

This was based on an estimated average price of 285 cents per kilo for rubber and Ringgit 34.7 a kilo for tin, with rubber exports totalling 1.58m tonnes and tin exports 67,000 tonnes. But so far this year the rubber price has been around the 200 cent mark and tin prices are well below the Ringgit 30 level.

If such prices persist, throughout the year—and there are no signs to indicate they will move up—the Government will be getting less than Ringgit 800m.

Compared with two years ago the rubber price has fallen good 41 per cent expressed in a stable Ringgit. For most of Malaysia's half-a-million rubber smallholders, many of whom work on land of less than five acres, it means a return to subsistence living, made tolerable only by Government subsidies and the influx of remittances from their sons and daughters working in the cities.

The situation is even bleaker for the tin mining industry. Because there is a surplus of the metal on the world market estimated at 60,000 tonnes the International Tin Council has imposed tough export control measures. The embargo for the July to September quarter is 36 per cent and similarly severe curbs on exports are expected to run well through next year.

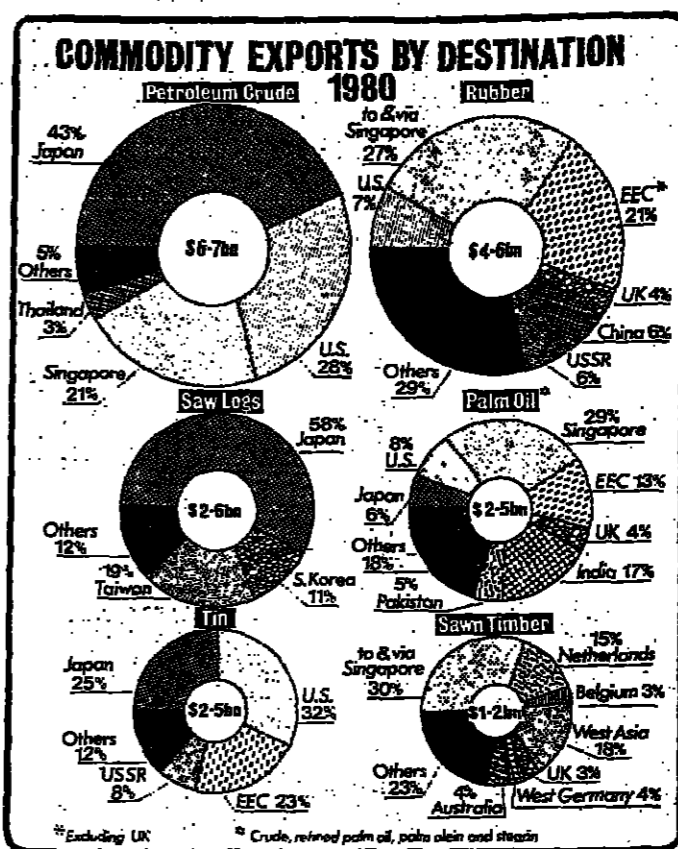
The bigger and more efficient tin dredging companies, often with large cash reserves, should be able to go through this rough period—but not the gravel pump mines.

These gravel mines, largely operated by Chinese, account for 55 per cent of Malaysia's tin output. Last year 153 of them ceased operations because of poor prices and exhaustion of deposits. As many as 200 more may have to close this year, leaving 400 struggling.

As many as 5,000 jobs are expected to be lost in the industry this year.

Malaysia's two smelters are also hit by the shortage of tin for smelting. One of them has laid off 150 workers and is operating only three of its five furnaces.

Mining costs have escalated. It will now cost more than Ringgit 500m to develop the giant Kuala Langat tinfields, more than double the estimates



a double blow to Malaysian plantations. Many were just seeking even on their rubber operations but had managed to report a decent profit in the past on the strength of stable palm oil prices.

The palm oil refining industry is also in bad shape, being squeezed by over-capacity and low demand.

Eighteen of the 48 refineries have ceased operations, leaving 31 in the field. Even so, the 2.8m tonnes of crude produced is insufficient to feed these plants, which have a built-up capacity of 3.6m tonnes.

Unlike rubber and tin, however, whose production is either stagnant or declining, Malaysia's output of palm oil will continue to grow at a rapid pace.

By 1985 the country is expected to turn out 4m tonnes of palm oil, by 1990 the volume is expected to reach 8m tonnes.

So far, the world has taken all of what Malaysia can produce but future output will require more aggressive marketing.

India, the EEC, the U.S. and Japan are the big markets, while China, the Soviet Union and South Korea are fast becoming important buyers.

The healthy volume to Iraq has been reduced to a trickle by the war with Iran but the Middle East as a whole promises to be a major market. It is also encouraging that Egypt has recently become a serious buyer.

Taking the longer view, there is every cause for optimism for Malaysia's commodities, argues Tan Sri B. C. Sekhar, Controller of Rubber Research and chairman of the Palm Oil Research Institute. Although suffering at present, Malaysia's plantations, land schemes and tin mines are still well managed and extremely competitive.

Tan Sri Sekhar has seen the ups and downs in the commodity cycle and he would be not the least surprised to see prices of rubber, tin and palm oil breaking record levels once the global recovery is underway.

Wong Sulong

MALAYSIA'S EXTERNAL TRADE

	1980	1981	1982*
Total exports (fob)	28,201	28,018	31,248
Rubber	4,617	4,131	4,582
Petroleum crude	2,709	2,738	2,735
Tin	2,505	2,248	2,326
Palm oil (crude and processed)	2,515	2,880	3,438
Sawlogs	2,621	2,325	2,499
Manufactures	6,169	6,800	7,780
Total imports (cif)	23,539	27,804	32,142
Food, beverages and tobacco	2,671	3,005	3,451
Manufactures	4,913	5,780	6,648
Petroleum crude	1,879	2,005	2,106
Machinery and transport equipment	9,081	10,803	12,641
Balance of trade	4,662	214	-894

* Forecast

Strong lobby for independence from international pacts

MALAYSIA, a major world commodity producer, is disenchanted with international commodity agreements.

The Prime Minister, Dr Mahathir, has made no secret that he feels these pacts are inequitable in that they serve the purpose of the consuming countries in times of short supply but fail to protect adequately the interests of producers when prices are low.

There is now a strong lobby in Malaysia for commodity producers to strike out on their own. This is a complete reversal of the Malaysian commodity policy hammered out eight years ago when Datuk Musa Hitam was Primary Industries Minister.

Malaysia accounts for 35 per cent of the world's exports of rubber, 50 per cent of palm oil, 30 per cent of tin, 35 per cent of tropical hardwoods and 30 per cent of pepper. In addition it ranks sixth in reserves of natural gas.

Thus in relation to its area and population Malaysia commands a disproportionately large influence in international commodity affairs.

There is one central aim in Malaysian commodity policy, past and present: stable and remunerative prices. Memories of the "rubber shock" of December 1974 still send a chill through Malaysia's leaders.

On that occasion low prices and continuous rain which prevented work forced thousands of desperate farmers on the streets in Kedah State and sparked off massive—and for the first time non-racial—student demonstrations. Anwar Ibrahim, now a rising star in government, was leading students to agitate for swift Government relief.

The aftermath was the Government's decision that the best insurance against future rural revolts was to ensure that commodity prices do not fluctuate violently. Malaysia went ahead to play a bigger role in international commodity negotiations. It supported commodity pacts and even approached Japan for a "Stabex Scheme" (stabilisation of export earnings) for the ASEAN countries.

The reversal of this policy of producer-consumer co-operation can be traced to three factors: actions by the Reagan Administration in pursuit of its economic philosophy which did enormous harm in undermining the confidence of producers; the prolonged global recession which has severely depressed prices; and the combative style of Dr Mahathir.

The tin market provided the battleground. There is no doubt that both the U.S. and

Malaysia had broken the terms of the International Tin Agreement, if not in action then in spirit.

Frustration over continual U.S. disposal of surplus stockpile tin and its persistent refusal of repeated demands for a revision in ITC prices to accommodate production costs led Malaysia to support the mysterious buy on the London Metal Exchange.

The story is well known. Suffice it to say that the episode left the Malaysians deeply disenchanted with the rules of the game. This sense of hurt was reinforced when the consuming nations, again led by the U.S., took advantage of a technicality in the International Natural Rubber Agreement to force a 1 per cent cut in the rubber price range.

Dr Mahathir is not a man to accept without a fight what he perceived to be injustices inflicted on developing countries by the rich nations in the protection of their interests.

Although Malaysia is still a member of the sixth International Tin Agreement and the Rubber Agreement, it has made it clear that it reserves the right and will act to protect its interests if these multi-national agreements are slow in responding to producers' needs.

Malaysia feels producers should band together to protect themselves. It is lobbying hard to win Indonesian and Thai support to give more teeth to the Association of Natural Rubber Producing Countries (ANRPC) and the proposed Tin Producers Association.

In theory, the coming together of Malaysia, Indonesia and Thailand, politically like-minded neighbours, could be a formidable force in the market since they control 80 per cent of rubber exports and 70 per cent of tin.

The problem is that while the Indonesians and Thais are equally interested in stable and remunerative prices for their commodities they do not feel that a direct confrontation with consumers is the best way.

The Indonesians in particular have always felt piqued at having to play second fiddle to Malaysia on commodity issues when in many other respects they consider themselves to be the "big brother".

Both Indonesia and Thailand want to diversify their export base. Rubber and tin fit into their programme and they do not want to enter into any long-term commitments that would curb their expansion plans for these commodities.

Tin is one of the markets where Malaysia is battling for a better deal for producers. Dredging—as pictured above at the Perangas Rio Tinto lease at Labuan Dagang—is the main local method of ore extraction.

Wong Sulong

Bank Bumiputra maintains amazing growth rate

Condensed Statement Of Conditions
December 31, 1981

	1981 M\$'000	1980 M\$'000	1979 M\$'000
ASSETS			
Cash in banks, money at call and short notice	3,219,878	3,205,506	2,266,861
Loans and Advances	6,338,971	3,855,411	2,257,590
Bills receivable	325,466	429,533	165,672
Treasury Bills and Government Securities	1,794,549	968,226	952,627
Other investments at cost	196,227	93,035	92,099
Land, building and other assets	1,371,343	970,293	353,770
Total	13,248,434	9,522,004	6,088,619
CAPITAL AND LIABILITIES			
Authorised capital	500,000	500,000	200,000
Issued and paid-up capital	476,000	272,000	100,000
Reserves and balance of unappropriated profit	104,783	84,193	58,879
Deposits (demand, savings, fixed, etc.)	8,165,037	6,673,313	4,990,175
Deposits and balances of agents and banks	4,037,449	1,892,730	619,801
Bills payable and other liabilities	465,165	599,768	319,764
Total	13,248,434	9,522,004	6,088,619
Liabilities on acceptances and guarantees	5,129,903	2,488,730	1,486,175
Balance sheet total	18,378,337	12,010,734	7,574,794

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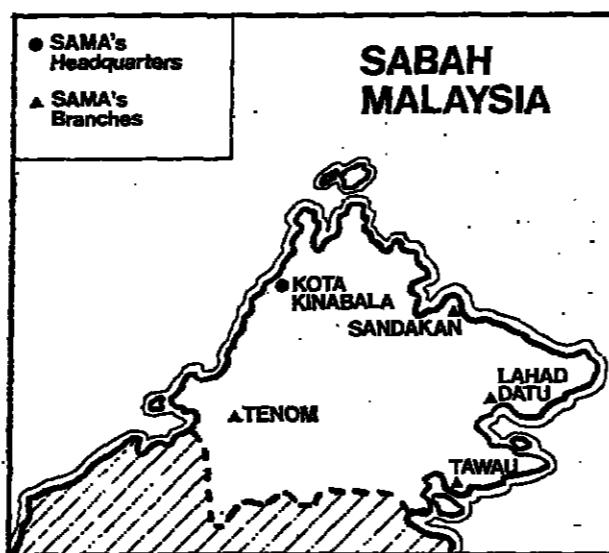
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EXPORT FROM SABAH THROUGH SAMA



SABAH MARKETING CORPORATION SDN. BHD. (SAMA) a Pte. Ltd. company wholly owned by the State Government of Sabah, Malaysia was established in 1978 as the Government's marketing arm for Sabah Agricultural Produce. SAMA is the selling agent for exporting marketing of produce from State Government Departments/Agencies like Agriculture Department, Sabah Land Development Board, Sabah Rubber Fund Board, etc. SAMA also trades with the private sectors in Sabah as well as in Sarawak. SAMA's sales turnover reached M\$143 million in 1982 with a paid-up capital of M\$15.7 million.

Through SAMA, international commodities buyers have a reliable marketing institution in Sabah whom they can place bids and orders with confidence. SAMA as a Government-backed commercial organisation and as a reputable exporter, will not renege on its contract. As SAMA is actively promoting Sabah's produce, it exports and guarantees good quality produce.

The commodities promoted and marketed by SAMA are shown below—

(1) Cocoa

SAMA expects to export about 5,400 tons of dry cocoa beans in 1982 or about 30% of the State's export. The average bean count is 100 beans/100 grain maximum. Moisture is 7.5% maximum on shipment. Other terms as per Contract CAL (Cocoa Association London) Form A4.

(2) Crude Palm Oil

Occasionally, SAMA can sell a minimum of 1,000 MT basis CIF Rdm/Msy on FOSFA (Federation of Oils, Seeds and Fats Associations Ltd.) 80 Contract. SAMA also sells PKO basis CIF European based ports on FOSFA 50 Contract.

(3) Rubber (SMR)

SAMA exports about 6,000 tons of SMR 5 and about 1,500 tons of SMR 20 per year. SAMA refers to the MRE (Malaysian Rubber Exchange) official quote as reference point. SAMA can also trade at the London market by giving overnight offer. Payment 21 days CAD Bills of Lading. Through Bill of Lading from Sabah to European ports can be arranged.

(4) Sawn Timber

SAMA is exporting red seraya (Meranti), kapur/keruing, scotching to Europe/UK. SAMA leads in the promotion of a superior hardwood locally called "Selangan Batu" which is in abundant supply in Sabah. This specie is highly recommended for use in construction of wharves, bridges, telegraph posts, railway sleepers and truck flooring.

(5) Rattan

Rattan processing is undertaken by Sabah Rattan Pty. Ltd. which operates on a joint venture basis between a private concern and a Government Statutory Authority. High quality rattan household goods and furniture are produced.

(6) Tea

Sabah Tea Sdn. Bhd. is planting 4,000 acres at Nelaipak, Ranau. So far about 500 acres have been planted with 80 acres already matured and in production. Tea is now supplied locally to meet local requirement. In 1983, tea is expected to be exported.

(7) Coffee

Robusta and Liberica coffee are widely grown. Total acreage planted to date is over 5,000 acres with an estimated bean yield of 500 MT per annum.

All trade enquiries should be channelled to SAMA.

SAMA

SABAH MARKETING CORPORATION SDN. BHD.

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هكسان النكيل

The Eastern States

Separated from the mainland part of the Federation by 1,000 miles of the South China Sea and ethnically different in population, Sarawak and Sabah present a special concern to the Government in Kuala Lumpur

Resource wealth allows scope for qualified autonomy

MALAYSIA'S two eastern states of Sabah and Sarawak, critically important to the federation because of their oil, gas and timber wealth, are at the same time the country's renegade states.

Separated from peninsular Malaysia by 1,000 miles of sea and populated by people radically and culturally distinct from the Moslem Malays of the peninsula, they have repeatedly taken pains since joining the federation in 1963 to demonstrate their separateness.

Exploiting the independence that comes from oil and timber earnings and inflaming local fears of federal interference whenever it was appropriate, the state governments have won for themselves an exceptional degree of autonomy to manage affairs in their own distinctive and sometimes cavalier style.

At the same time federal power needs to be carefully courted. Kuala Lumpur can dispense or withhold develop-

ment funds, mobilise or frustrate election machines, soothe or stir up factional conflict in the states — and so can never be taken for granted.

The result is that politics and economic management in a state like Sabah are almost inevitably larger than life. Elections are waged with unparalleled ferocity. No political vitriol is spared in a contest where stakes are exceptionally high. Victory means access to very large resources which can be used for patronage. To dispense rewards for loyalty is seen as no sin.

Datuk Harris Salleh, since sweeping to power at the head of the breakaway Berjaya party in 1978, has run the administration in a manner more suited to an autocratic managing director than to a democratically elected Chief Minister.

But the state has seen benefits from this. When Datuk Harris's predecessor, Tun Mustapha, was overthrown after

12 years of running the state almost as a personal fiefdom the coffers were empty. State funds have since been built up to more than M\$1.4bn. The fruits of substantial development spending are evident across the state — and nowhere more so than in Datuk Harris's home town of Labuan.

Associated gas soon to be piped onshore at Labuan from the oil fields of Ekowest and Samarang will be fuelling a M\$468m sponge iron plant and a M\$740m methanol plant and power station. A strong bid is being made for federal approval for a M\$1.2bn pulp and paper mill, though recent cuts in federal development spending may lead to this project being shelved.

Such developments, along with the rise of oil earnings and a broadening of the state's agricultural base, have curbed Sabah's dangerous dependence

on the timber industry. In 1976 unsawn logs accounted for over 30 per cent of the state's M\$2.2bn export earnings. Last year timber products accounted for barely 30 per cent of export earnings which had doubled.

Sarawak, Malaysia's largest state, has in the past been bypassed by Malaysia's rapid economic growth, even though earnings from offshore oil and gas have been substantial. Its soil is less fertile than Sabah's, its jungles more impenetrable. As a result over 60 per cent of the state's population still live in poverty.

Despite formidable problems linked with laying down an infrastructure of roads, water and electricity and despite a continuing shortage of skilled labour, changes are taking place which could alter the face of northern Borneo.

At Bintulu oil and gas reserves are to be tapped to establish an LNG plant, a crude oil terminal, an urea and ammonia plant and a palm oil bulking station. A deep-water port is to be finished at nearby Tanjung Kidurong by early next year. The total development, costing about US\$4bn, is likely to be the largest development ever in South-East Asia.

Bintulu, eventually to be linked to the rest of the state by the pan-Sarawak highway and the focus for numerous smaller manufacturing ventures, is likely to be the catalyst that sweeps the state from the Stone Age into the Space Age — though there are many who justly fear such a sudden and drastic change.

With such great untapped potential Sabah and Sarawak are being kept on a short leash by the federal government lest they throw off the federation and try to go it alone. Complaints are often made in the

two states that the 5 per cent royalty they get on oil exports is a pittance and is in no way made up for by federal development spending. Kuala Lumpur obviously sees things in a different light, wanting to use oil revenues for the development needs of the federation and limiting the royalty to ensure continued dependence on the central administration.

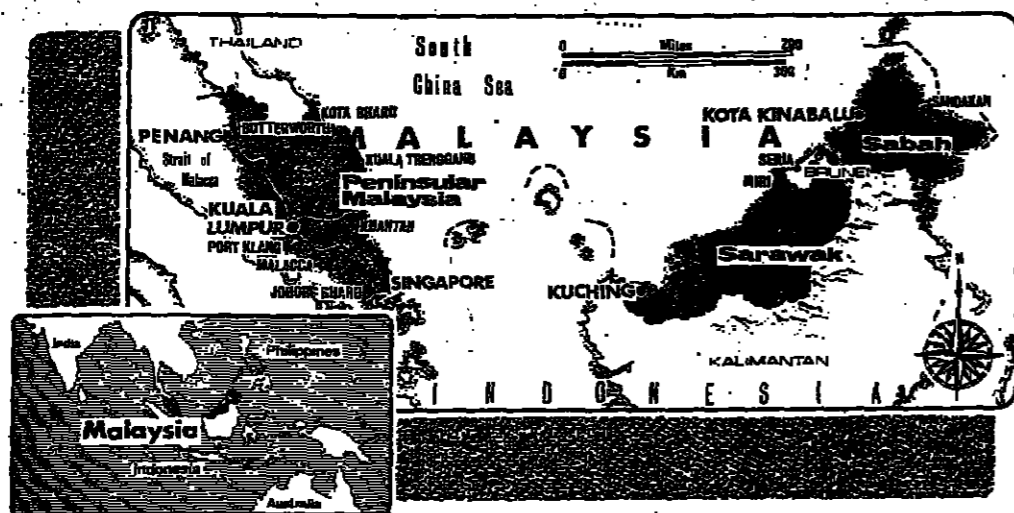
Present relations between the eastern states and the centre are awkward. In April's federal elections Datuk Harris fielded "independent" candidates in Sabah against federal government-backed candidates in an attempt to maintain a monopoly of power. The "independent" victories were a direct stab to Dr Mahathir, and there has since been a steady stream of rumours that the federal government was manoeuvring to remove Datuk Harris from power.

Flushed with victory Datuk Harris has been striving to pour oil on troubled waters, praising the "2-MS" government and launching an anti-corruption drive to echo that on the peninsula.

In Sarawak unexpected victories for the opposition DAP in April underlined increasing restiveness among the state's Chinese population.

Federal governments have in the past resisted the temptation to force the eastern states into the fold. This is in part because of a fear of the possible consequences and in part because the people of Sabah and Sarawak remain for many an enigma, a home for pirates, head-hunters and animists. Rapid development is likely to attract increasing attention but an enigma they will remain for some years to come.

D. D.



Banking

Two more expatriate banks are about to begin the process of Malaysianisation

Further moves towards equity surrender

IN ANOTHER six months or so the two largest foreign banks in Malaysia — Chartered Bank and Hongkong Shanghai Bank (HSBC) — are due to announce details of plans to Malaysianise. The events are significant. Banking anywhere is a strategic business.

Chartered, part of the Standard and Chartered group of the UK, and HSBC would set into motion the equity restructuring in foreign banks that had been undertaken in the 1970s and is now largely completed in the mining and plantation sectors.

Malaysianisation of foreign banks is not new. The law prohibits banks in Malaysia from being controlled by a foreign government and quite a few banks — had restructured under this rule.

The latest is Banque Indosuez, which had been nationalised by President Mitterrand's Socialist Government in France. It has

Malayan Banking Corp. (UMBC).

Chartered, founded in 1875, is Malaysia's oldest bank. HSBC celebrates its centenary two years from now. The two banks are not saying much about their negotiations with the authorities, apart from confirming "good progress" so far.

This is understandable. Apart from the scale and legal complexity there are many Bumiputra institutions and individuals vying to be local partners. "Selecting the right Bumiputra partner is extremely important. It makes the difference between plain sailing and endless headaches," comments a corporate planner.

The outline of the restructuring is known: the Malaysian operations of the two banks will be under locally incorporated publicly listed companies.

Initially probably no more than 20 per cent of the equity would be sold to Malaysians. But

more favourable capital to deposit ratio.

On the local banking scene the past year has been characterised by the change-over in top management reflecting the fortunes on the political scene.

Appointments of new executive chairmen were made at Bank Bumiputra, Malayan Banking and UMBC. These changes were at the direction of Dr Mahathir, the Prime Minister, who wants to clear the decks of men considered to be sympathetic to Tengku Razaleigh, the Finance Minister.

Operationally, the industry is expected to see a slower growth rate than in the past five years, in line with the slowdown in the economy.

Liquidity will continue to remain tight, reflecting the reduced earnings from Malaysia's exports.

The past months saw the easing of deposit rates but bank lending rates are inching up. The banks say their lending rates have to go up because of tight money conditions and the fact that they have to cover for large portions of their loans made to the "priority sectors" at only 10 per cent interest — although one suspects there is also a strong element of profit maximisation.

The prime rate is still pegged, largely at the insistence of the central bank, at 8.5 per cent, although no one now qualifies for the prime. Even the most desirable clients pay 11 to 12 per cent, while the usual rate is 13 to 15 per cent.

The Malaysian stock market is in for a depressed year after four years of steady expansion which climaxed in a record boom in the first half of last year. The Kuala Lumpur Stock Exchange (KLSE) industrial index reached an all-time high of 823 points at the end of June 1981 but the subsequent fall was swift and traumatic.

In the two months July-August the bottom fell out of the market and panic selling and short-sellers forced the KLSE index down by more than 350 points.

There was a moderate recovery in the last quarter of the year but prices began sliding again at the start of 1982 as the prolonged global recession began to bite harder into the local economy.

The current KLSE index is around 360, the lowest in 24 years. Most analysts do not foresee any improvement until the end of the year or even longer. For the first six months of this year a total of 419m units, valued at ringgit 1.5bn were traded on the KLSE compared with 1,017bn units value at ringgit 5.124bn during the corresponding period last year and 1,636bn units valued at ringgit 8,059bn for all of 1981.

Market capitalisation of the 232 securities traded on the exchange at the end of June this year was ringgit 49.1bn compared with ringgit 65.3bn at the same time last year.

W. S.



Above: The financial district of the capital Kuala Lumpur. Below: The Rasa Sayang Hotel at Batu Ferringhi typifies the Government's desire to encourage the tourist.



Congratulations to Malaysia on its 25th Anniversary of Independence

Through local manufacture and the activities of our locally managed companies, ICI is proud to be associated with the development of Malaysia and the needs of Malaysians.



Finance Minister Tengku Razaleigh.

incorporated a local entity, called the Malaysian French Bank, to take over its two branches and will sell off 70 per cent of the stake to Malaysians, retaining only 30 per cent.

In the seventies three Indian banks and one Pakistani bank in Malaysia were reorganised to form the United Asian Bank and Perwira Bank respectively when nationalised by their own government.

The significance of the Chartered and HSBC restructuring lies in the scale of the exercise and its impact on other foreign banks which have not as yet complied with the new economic policy.

Both Chartered and HSBC are among the biggest banks in Malaysia. At the end of last year Chartered, with 35 branches in Malaysia, had assets totalling Ringgit 4.3bn and reported a net profit after tax of Ringgit 26.8m.

HSBC, with 36 branches, had assets exceeding Ringgit 4.5bn and a net profit of Ringgit 39.3m at the end of 1981.

In asset terms they would probably occupy third and fifth places, after the locally incorporated Bank Bumiputra, Malayan Banking and United

MALAYSIA VIII

Energy and Industry

Malaysia does not rank all that high in the oil states' table but its offshore resources are proving a useful help when recession is hitting its traditional commodity exports. They are also seen as valuable fuel and feedstock for the country's industrialisation programmes.

Offshore fields linked to ambitious development plans

Oil and gas revenues prop economy

MALAYSIA'S oil and gas reserves are not large enough to provide a panacea for the country's economic ills but at a time of deepening world recession they are allowing the Government to apply a gentle brake rather than bring development spending to an emergency stop.

Over the past six months the state oil company Petronas has responded to Government pressure to boost oil earnings by raising output from an average of 250,000 barrels a day last year to a target for 1982 of 290,000 b/d. As it is not a member of Opec it has been free to raise output—unlike neighbouring Indonesia.

But Mr Rastam Hadi, managing director of Petronas, has made it clear that oil and gas should not be seen as a cure-all for government financial problems. "There is a very strong case for keeping resources in the ground. But at the same time governments need money and it is not much use keeping the oil in the ground when people are starving or living in poverty. Therefore we are following Buddha's golden middle path."

Malaysia has the world's 22nd largest oil reserves, estimated at 2.3bn barrels, and the world's 13th largest gas reserves, about 30 trillion cu metres. It has about 50 fields, eight of them major. They lie offshore the two eastern states of Sabah and Sarawak and offshore the peninsular state of Trengganu.

Earnings from oil exports have risen from M\$852m in 1975 to M\$6.9bn last year, accounting for almost 27 per cent of all export earnings. When LNG comes on stream in January next year an additional M\$1bn will be added to exports, with gas export earnings planned to quadruple over the next four years.

The three oil companies most active in Malaysian waters—Shell, Esso and Petronas Carigali—have steadily increased spending on exploration and development drilling. Petronas alone has raised spending from M\$279m in 1979 to M\$564m last year and it is likely to remain at this level over the coming four years, with an average of two new contract

areas being opened up every year.

Malaysia's reserves are comparatively difficult to raise. They are in deep water, up to 150 metres offshore, and in a salami of sedimentary deposits which makes reservoirs small and easy to miss. Fields rarely last more than seven to 10 years.

At the same time, the quality of Malaysian crude is high—between 41-44 API, and with a sulphur content of less than 0.1 per cent. This means Malaysia can still charge a substantial premium over other oils. At the peak in mid-1980 oil was fetching U.S.\$41 a barrel. Miri Marker crude now carries U.S.\$35.60 a barrel, with blends ranging from U.S.\$35.10 to U.S.\$37.30.

By comparison with other parts of Asia, Malaysia's waters have been fairly thoroughly explored so the chances of major new finds are small. Nevertheless, the likelihood of modest new discoveries is thought to be high.

So Malaysia's days as a net exporter of oil are clearly numbered. Domestic consumption currently stands at

180,000 b/d and is growing at about 9 per cent a year. Rastam Hadi predicts that the country will be a net importer in the early 1990s, with gas reserves providing an extra three or four years of leeway.

It is from this perspective that Petronas' articulate managing director sees the current world glut of oil as a temporary phenomenon.

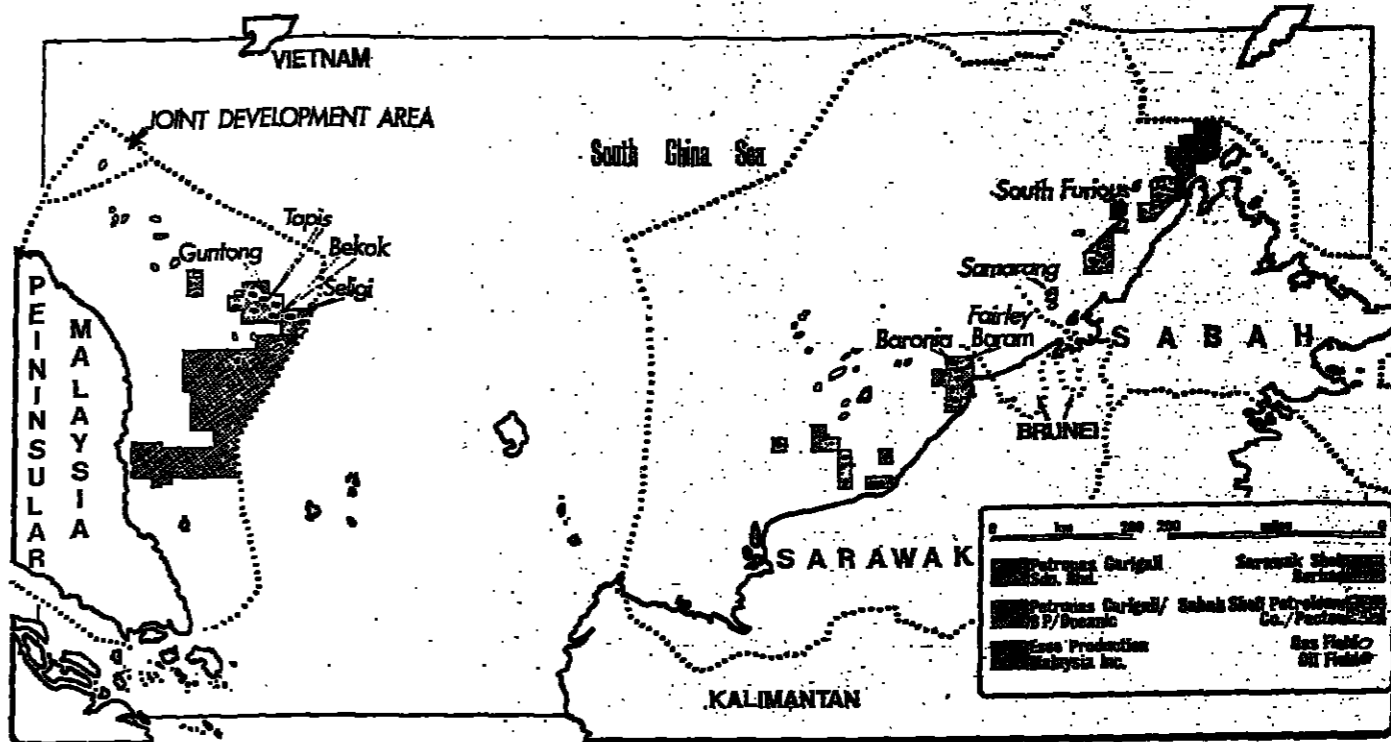
"There are only certain reserves in the world and consumption continues to grow. I see scarcity coming up. Maybe this does not apply over the next three years but in the longer term shortages are inevitable. There is a background of general scarcity."

While Malaysia's oil and gas reserves last they are likely to play a critical role in the country's development. Gas coming onshore in Bintulu in Sarawak is to be the feedstock for a range of ambitious new development projects. The LNG plant will in due course provide Japan with 6m tonnes of LNG a year, 20 per cent of all its gas needs. A crude oil terminal and a urea/ammonia plant are being built, along with palm oil tanks.

The Bintulu Development Authority also has plans for an aluminium smelter, an iron ore reduction plant and a steel furnace, though recent cuts in Malaysia's federal development spending plans are likely to mean these projects being put on ice for a while.

Further along the Borneo coast in Labuan in Sabah associated gas being piped onshore from the Samarang and Erhwast fields is to be used for a sponge iron plant, a methanol plant and a host of smaller developments.

Gas coming onshore in Trengganu is likely to be for domestic use, making gas the main fuel for Malaysia's industrialisation plans in the years ahead.



Wedded to industrial projects despite adverse times

MALAYSIA is launching into the most ambitious phase of its industrialisation programme—development of heavy industries—at an inauspicious time.

Recession has thrown up a worldwide surplus of capacity in steel, ship-building, oil refining and manufacturing.

Within Malaysia it has led to a contraction in demand and a squeeze on revenues, forcing big cutbacks in public spending.

Many foreign industrialists argue that apart from the bad timing the Malaysian market of 13m people is too small to support a heavy industrial sector.

Despite these obstacles the Malaysian Government remains singularly undaunted.

Mr Rastam Hadi, managing director of Petronas, the national oil corporation, perhaps best summed up the Government's attitude when he said: "Suppose there is a surplus of restaurants. Would a person building his own house leave out the kitchen?"

Tan Sri Jamil Jan, executive chairman of the Heavy Industries Corporation of Malaysia (HICOM), concedes the Malaysian market is small but is confident that even so it can support the projects his newly formed corporation is undertaking.

HICOM and Petronas—both government agencies—are spearheading the heavy industry programme, with the latter taking charge of oil and gas-related projects such as the Bintulu liquid natural gas field, the urea, factory and oil refineries and the former the non-oil industries.

Over in the East Malaysian state of Sabah the state energy group is also building a \$400m sponge iron plant, a gas-processing facility and a metha-

nol plant. In all more than \$4bn has been committed to these projects.

The creation of a heavy industrial sector is something close to Prime Minister Dr Mahathir's heart but it would be wrong to assume it is based on sentimental reasons.

Malaysia has very large reserves of natural gas and instead of merely exporting it to Japan, as is the case of the Bintulu LNG plant, or flaring it off in the course of lifting oil, the Government wants to establish a range of industries using the gas as fuel or feedstock.

The sponge iron plant, currently being built by a Japanese consortium, is an illustration of how the Government intends to go about its heavy industrial programme.

Sited at Telok Kalong in the east coast state of Trengganu, the plant will use gas under the direct reduction method to produce 600,000 tonnes of billets to supply the steel mills in the country for production of bars and rods for the building industry.

The eight-member consortium, led by Nippon Steel, is taking a 30 per cent equity participation and has also lined up the necessary finance with Japanese institutions on attractive terms.

As far as possible HICOM would want all its projects to be similarly packaged. The direct equity participation of the project contractor serves as an insurance.

A letter of intent had also been signed with another Japanese consortium, in which Nippon Steel is involved, for a \$250m 600,000-tonnes cold rolling steel mill, also at Telok Kalong.

HICOM is re-examining the project. It does not want to be caught with a plant whose capacity exceeds local demand, because for the past three years demand for cold steel has been flat.

Tan Sri Jamil says at some stage, perhaps by 1990, HICOM would have to consider putting up a hot rolling steel mill as well (to supply steel for the cold rolling mill) but such a venture would have to have a capacity of 3m tonnes to be profitable.

"What we are doing is backward integration. We have the demand for end-products of steel and we are working backwards to produce the raw material."

The other HICOM venture being implemented with Japanese and Singapore partners is the \$200m 1.2m-tonne cement plant at Langkawi Island in the north.

It should come on stream in 1984. There are plans to double its capacity eventually and to set up a 600,000-tonne clinker grinding plant in the southern state of Johore.

At present, because of distance, Johore imports as much as 400,000 tonnes of cement across the causeway from Singapore.

HICOM projects in the pipeline include a motor cycle engine plant (three Japanese groups are bidding to build it) and an engineering complex, while a pulp and paper factory and car manufacture are being "actively" studied for possible implementation in the mid-1980s.

Several foreign aluminium companies are also keen to relocate their smelters in

Sarawak—although the Malaysian authorities are in two minds whether to allow them to exploit the tremendous hydro-power potential of Sarawak's rivers for cheap energy.

Malaysia's manufacturing sector has grown rapidly since independence and now accounts for 21 per cent of Gross Domestic Product. The Government's import substitution policy of the 1960s and its labour-intensive export-oriented policy of the 1970s has been highly successful.

The policy of the 1980s is to encourage greater agro-based processing and higher value goods instead of the sensitive textile and electronic assembly factories which employ tens of thousands of workers at wages as low as \$2.5 a day.

Manufacturing has not been spared by the recession. Output declined by 1.8 per cent during the first quarter of 1982, compared with 6 per cent growth in 1981 and 12 per cent growth annually during the 1970s.

Exports of manufactured goods fell sharply by 23 per cent between January and March this year to 1.190bn ringgit, with textiles and semi-finished electrical goods the hardest hit.

Tai Ping Textiles, one of the biggest and most modern companies with 2,300 workers, is working 24 hours a day, seven days a week and yet is only breaking even. No wonder virtually every Malaysian textile company is diversifying into other areas of activity, particularly property development.

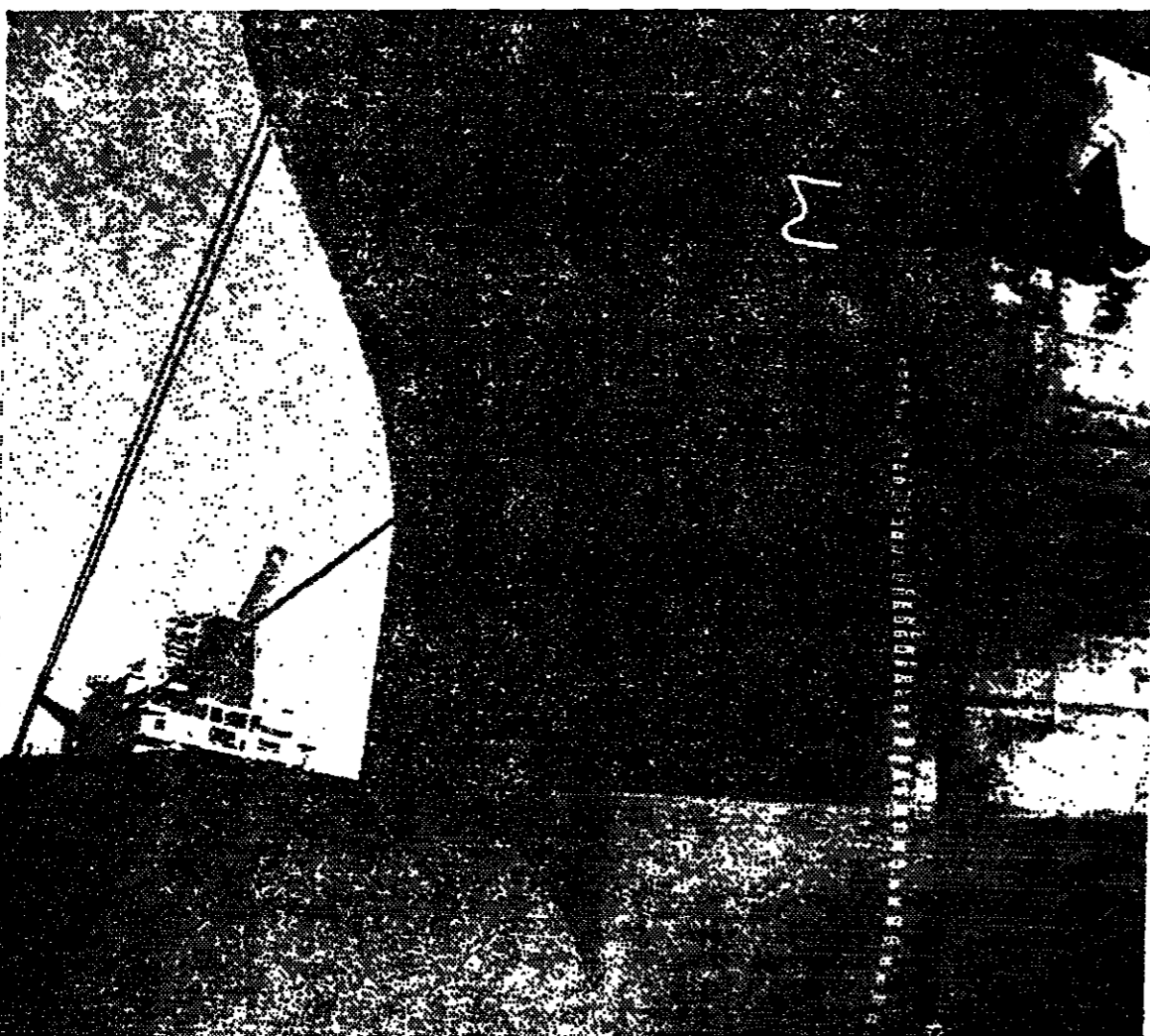
W. S.

MALAYSIAN OFFSHORE OIL PRODUCTION

	Name of field, discovery date	Depth, feet	Barrels per day average, first-half 1981	Cumulative bbl, to July 1 1981	API gravity
ESSO MALAYSIA	Bekok, 1976	5,500	22,500	16,200,000	47.6
	Fulal, 1973	4,300	25,000	33,900,000	43.3
	Tapis, 1975	6,700	69,800	67,300,000	43.3
	Tembunga, 1971	6,000	3,100	15,500,000	37.5
SARAWAK SHELL BERHAD	Bakau, 1971	11,000	200	5,900,000	39.0
	Baram, 1963	9,500	7,300	99,800,000	40.5
	Baronia, 1967	11,000	2,000	97,600,000	42.0
	Betty, 1967	...	21,000	19,200,000	38.0
	Fairley-Baram, 1963	...	1,200	15,800,000	40.0
	West Lutong, 1966	...	13,300	90,900,000	39.5
	Miri, 1941	...	10,300	4,500,000	35.0
	Temana, 1972	...	18,200	40,800,000	29.2
SABAH SHELL	Samarang, 1972	...	46,100	122,800,000	37.0
	South Fuzhou, 1974	...	5,000	2,100,000	30.0
Total Malaysia...			268,000	710,000,000	

Source: Oil and Gas Journal.

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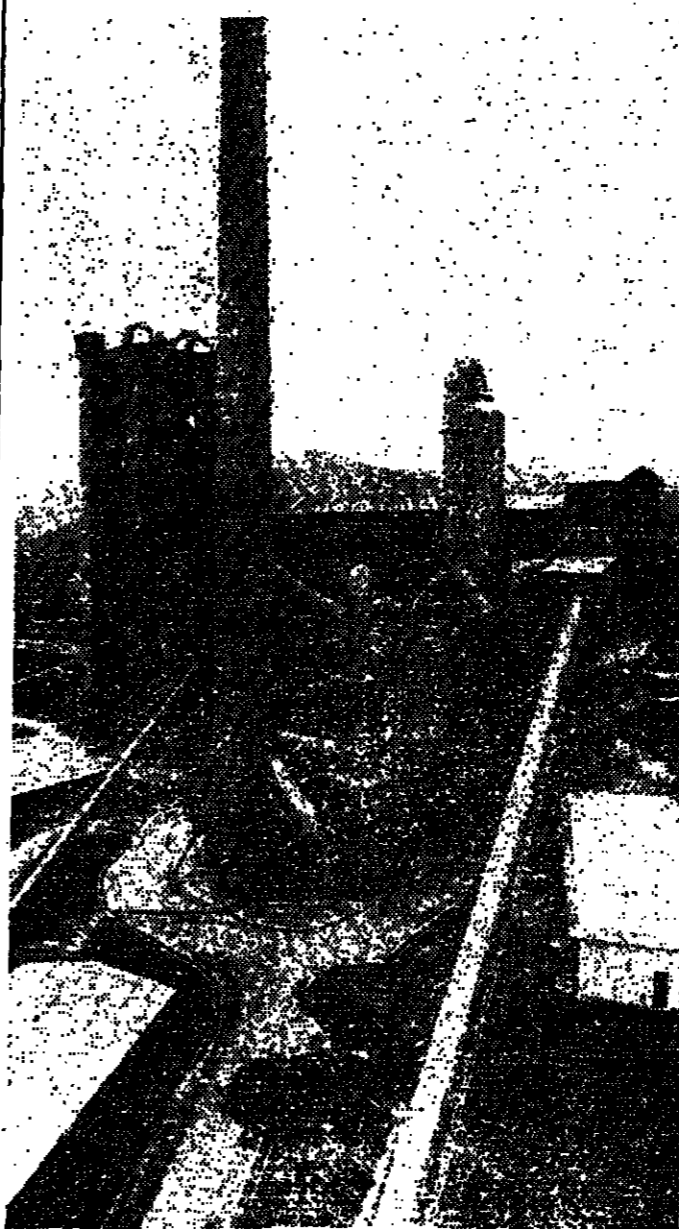
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هكزان الكحل



Malaysia's efforts to achieve self-sufficiency in cement have taken a major step forward with the commissioning of this 1.2m tonnes per year works at Rawang. The new kiln cost its owners—Associated Pan Malaysia Cement (an associate of the UK group Blue Circle Industries)—a total of \$40m and took two years to complete. Oil-fired, it is claimed to be among the most fuel-efficient plants of its kind in South-East Asia.

Sabah Development Bank Berhad

As a State development bank, we are involved in promoting economic development in Sabah, Malaysia.

Our role is to provide capital for industrial and agricultural development in Malaysia as a whole and in Sabah in particular. Up to mid-1982, the total loan and credit facilities committed by the Bank stand at \$1,068 million. The projects benefited so far include cocoa plantations, oil palm, wood processing complexes, shipping, housing and aquaculture.

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THE FAILURE OF CURRENCY FLOATING

The speculators are missing

By David T. King

THE ONLY thing that is perfectly clear about today's volatile and uncertain exchange markets is that we have been here before. But really, when we are going should be almost as obvious: the exchange rate extremes of 1973, 1976 and 1979 were all soon followed by major movements of the dollar in the other direction.

Each of these sea changes went so far that it set in motion underlying current account adjustments which, in turn, eventually caused a further massive exchange rate reversal. The regularity and economic consistency of these broad swings—in short, their predictability—expose the key and continuing problem of the floating exchange system: the absence of "stabilising speculation."

It is not difficult to identify the most important cause of major dollar movements during the decade of floating.

There have been three major movements of the dollar since floating began, coinciding with three clear trends in the U.S. current account. The dollar has steadily depreciated during periods of current account deficit, when the accumulated current account declines, and persistently appreciated through periods of current account surplus.

The problem is that the markets carry the exchange rate movement well beyond what is required for the correction of such a current account imbalance. Thus, in a period after the real exchange rate has moved enough to eliminate a current account imbalance but before the current account has had time to adjust, the exchange markets continue to position themselves on the basis of observed though inevitably transitory, current account information. By the time the current account actually turns, the real exchange rate is so far under- or over-valued that a massive current account reversal is unavoidable and the cycle starts all over again.

In an important study published in 1978, Professor Patrick Minford of Liverpool University, a firm proponent of floating exchange rates, identified these dynamics in the British pound's exchange behaviour. They characterised, he

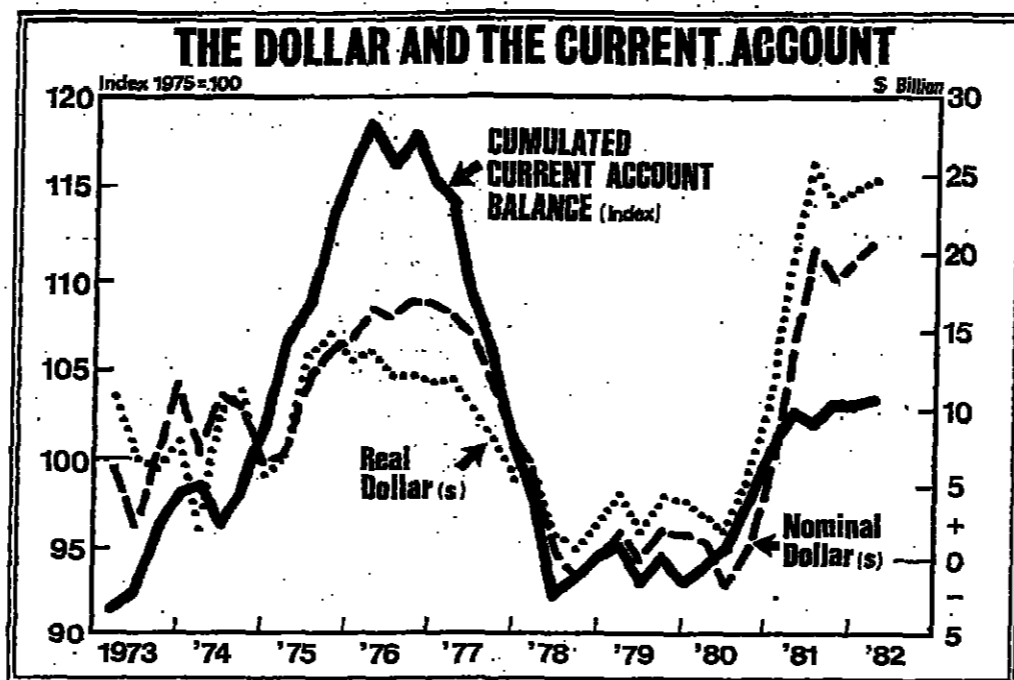
It is generally agreed that exchange rate flexibility is necessary and desirable. But the big swings in exchange rates, typical of the floating system, are widely seen as costly and even destabilising. More rational exchange rate movements in a free float seem to require greater confidence in established economic relationships in forecasting currency changes.

suggested, the "infancy of floating."

As the child grew up, its experiences would teach it the reliable and powerful, if lagged, relationship between real exchange rates and current accounts. When the foreign exchange market came of age, participants would adopt sizeable counter-positions as real exchange rates moved beyond levels necessary to correct trade imbalances. In other words, stabilising medium-term speculation, based on established fundamental economic relationships, would become common, and the extremes of exchange rate fluctuation would be substantially dampened.

In fact, however, after nearly a decade of trial and error, floating is still a child, afraid of the dark in a medium term exposed foreign currency position.

Perhaps the light of potential cash returns will encourage the maturation of floating. The most straightforward bet on the fundamentals of international trade involves taking a financial position in a medium term extreme movement of the real exchange rate, calculated in any simple way. In historical terms, "extreme" may be defined as something on the order of 10



per cent. That percentage overvaluation of sterling, caused by the Baldwin-Churchill administration's return to the gold standard in the late 1920s, brought the British economy to its knees within five years. The 10 per cent overvaluation of the dollar by 1970 resulted in the collapse of the Bretton Woods System.

If, from the 1973 start of generalised floating, one had adopted a basic rule of taking a cross-currency counter-position following any 10 per cent movement of the dollar's real exchange rate, the profits would have been enormous. As shown in the accompanying chart, one would have gone short in dollars in late 1975, just at the dollar-Deutsche mark turning point, and only slightly below the dollar's nominal peak of late 1976. After a substantial gain, the position would have been reversed, to long in dollars, in mid-1978, again ahead of the turning point, but only moderately, especially relative to the dramatic appreciation of the dollar that began in mid-1980.

By mid-1981, a short dollar position would have been adopted, at a DM/dollar rate in the upper 2.30s. This position would again have been early, but only slightly below

the spot dollar's peak in the third quarter of 1981, and well situated for the fourth major reversal in dollar exchange rates which will come in the quarters ahead.

One of the easiest ways for the corporate and government sectors to take advantage of these opportunities is through cross-currency diversification of their normal medium-term borrowing requirements. The statistical evidence shows that the response of current account balances to real exchange rate changes is fully underway within three years. Thus, for example, the "10 per cent rule," triggering a short-dollar position in mid-1978, would have prompted U.S. corporations and the U.S. Government to finance domestic operations by borrowing at a lower interest rate than the DM 20m, three-year bond in mid-1978, at an interest rate of about 6.5 per cent. Assuming annual interest payments and retirement in June 1981, the net dollar cost of the borrowing would have been \$400,000—an annualised interest rate in dollars of 1.3 per cent. Had \$10m been raised in U.S. credit markets for a similar period at the interest

rate of about 9 per cent prevailing in mid-1978, the net cost of servicing the debt would have been \$2.7m.

Even with current interest rate differentials, the size of the broad exchange rate movements typical of floating promises that dollar borrowing will at worst break even with Deutsche Mark borrowing over the next three years, more likely doing several percentage points better. Certainly it is a dangerous illusion for U.S. corporate treasurers to look now at lower interest rates abroad as an opportunity for reducing borrowing costs by issuing longer-term debt denominated in heavily undervalued foreign currencies—as some unfortunate UK companies did in late 1980.

Governments can use cross-currency debt diversification to moderate extreme exchange rate swings while reducing interest expenditures. This bond-based technique avoids the monetary effects of exchange market intervention. The German Government could, long before now, have easily generated enough capital inflow through the issue and conversion of dollar-denominated securities to stabilise the DM rate, simply redenominating a

relatively small proportion of its ongoing new debt.

Just as German corporate sector conversion of borrowed dollars has no monetary effect in Germany while supporting the DM rate, neither do government borrowings.

An efficiently operating floating exchange rate system is disciplined by internationally integrated financial markets. This was what the academic proponents of floating envisioned in promoting fluidly stabilising speculation that would keep rates close to fundamental trends. In fact, however, finance was not really ready for floating, and capital markets are still not at all well-integrated across currencies.

Cross-currency liability management is extremely rare, and all but a tiny proportion of medium-term investment is confined to the home currency. Even governments, charged with macro-economic stabilisation, typically take long-term cross-currency positions only as a last resort in an exchange rate defence package. This can, and should, change. Intelligent cross-currency financial positions, since they are based on the prime mover in economic adjustment—real relative prices—carry low risk and are reliably profitable.

Perhaps as the fourth major movement of the dollar emerges, coinciding with the fourth major reversal of the industrial countries' current account pattern, governments and corporations will come to recognise the opportunities offered by exchange rate movements for substantially reducing financing costs and achieving more optimally diversified debt portfolios. Stabilising speculation will hopefully become a more normal activity, and the floating exchange rate system will finally come into its own.

The alternative is disturbing: the two major inflation shocks of the 1970s were not unrelated to the major dollar depreciations that preceded them and next time around it is the dollar's turn again for the short end of the stick.

Patrick Minford, Substitution Effects, Speculation and Exchange Rate Stability (North-Holland, Amsterdam, 1978). Dr King is vice-president, International Finance Department, at Citibank in New York, and worked earlier at the Federal Reserve Bank of New York and the OECD in Paris.

Lombard

Stark arithmetic of productivity

By Max Wilkinson

HERE IS a simple question with a disturbing answer. If Britain had the same overall productivity as Italy, but output remained at its present level, how many people would have been unemployed in August?

The answer is a matter of arithmetic based on the National Institute of Economic and Social Research's latest estimate (for 1980) that Italian overall output per employee is about 10 per cent higher than in the UK. This means that with Italian productivity, the UK would need about 2m fewer workers to produce the same output and total unemployment would now be 5m.

Most of Italy's superiority is in its manufacturing industry which is about 50 per cent more efficient than Britain's. If the comparison is made with a country such as Germany or the Netherlands which are more productive in most sectors of the economy the results are even more startling.

With output unchanged and West Germany's overall productivity, UK unemployment would be 8m. If, on the same basis, the UK had the same productivity as the U.S., 12.5m people.

These are, to be sure, only arithmetical truths, and they do not take account of the 10 per cent improvement in UK manufacturing productivity which occurred last year. Moreover, the comparison with the U.S. should not be taken too seriously because of the huge economies of scale there. However, these comparisons do say quite a bit about the constraints on policy.

Look at the question another way: it would clearly be unrealistic to expect UK productivity to rise by 35 per cent to match West Germany's present performance without an accompanying increase in output.

If output grew at exactly the same rate as productivity (output per person), the total number of jobs would remain the same. So the second question is: how many years of matched growth of output and productivity would be needed for Britain to reach West Germany's present performance?

The answer clearly depends on the rate of growth. At the rate expected for this year—1 per cent—it would take 33

years. However, if we assume a more optimistic average of 3 per cent growth a year, it would take 10 years to catch up with where Germany is now. Since France, Belgium, and the Netherlands have slightly higher overall productivity than Germany it would take rather longer to catch up with them.

At the end of this 10-year spurt, Britain would still have its present level of unemployment—3m adults (ignoring population changes)—and it would still be 10 years behind its Continental competitors.

All this must be emphasised, is just arithmetic, but it shows very starkly what Sir Geoffrey Howe had in mind when he said last week that high unemployment would be with us for a long time and that the road to restored competitiveness would be a slow one.

Sir Geoffrey has said repeatedly that the key to reducing unemployment must be improved competitiveness, and that must come from higher productivity as well as more moderate wage settlements.

But the Government has been less anxious to emphasise the truism that it cannot deliver a sustained improvement in productivity without a corresponding increase in output for the medium term.

Perhaps the Government had no choice but to focus its initial efforts on forcing down people's expectations for inflation; and one of the consequences of its tight policies does seem to have been the sharp rise in productivity last year. But, there is a strong argument that the focus must now change towards a major political effort to raise people's ambitions for growth.

It is hard to see how this could be achieved without more official discussion about how the Government might prime the pump and then help to keep growth going.

The data for the calculations are as follows: UK employed labour force first quarter 1982: 22.4m, unemployment (adult) August: 3.2m. Total productivity for 1980: (UK=100) West Germany 134.10, U.S. 160.20, France and Netherlands 150, Belgium 140 and Italy 110.

Letters to the Editor

Mrs Thatcher, Varley, and the grass roots

From Mr F. Whitehouse

Sir—Mrs Thatcher shouldn't be tempted to fall for Eric Varley's version of what the workers think of unemployment. He's as far from the grass roots as an absentee landlord and puts on the old record from time to time to give new figures appear.

But the fact that he is out of touch with what is going on down below shouldn't stop her putting her crew urgently to work on bringing her ahead of the Opposition in an understanding of the country's new mood.

Labour was thrown out at the last Election because their old supporters felt let down by their overall performance. Maggie's best chance of winning the next election is by seeing to it that voters don't develop that same sickened sense of her.

She has a lot going for her. Even in this Socialist Republic

of South Yorkshire there is not the old readiness—in private—to shovel all the blame for our present plight on the Government. It is getting into countless working minds that you cannot have both a soft and a secure job. Not in industry anyway.

Just as they are rapidly realising that you cannot cry out for State protection of home industries and at the same time stuff your garage, wardrobes and house with foreign-made goods, they are slowly accepting that they have to be as ready to sell cheap as they have been to buy. Some of Mrs Thatcher's arguments are bearing fruit. In future she will get a more receptive hearing.

The speaker "ganges up" of the CBI, with the TUC to squeeze her into softening her fiscal policy isn't doing her all that much harm. Too many workers think they are being

used as catspaws to improve industry's profitability rather than find them more jobs. Which makes them dubious of what's afoot.

Of course, theoretically, even people in work are scared stiff of coming out of work. But it's not the old fear that we knew in the 1920s and 1930s. Living is still too good for that and they are readier to accept re-assurance that what can be done is being done. And it's putting her ahead of the pack in this battle for the people's minds that's going to keep her in No. 10.

With Labour and the TUC in their present turmoil she's in with more than a good chance. But she must keep her ear close to the ground. She can't afford to blunder on the run home. Frank Whitehouse, 135, Ecclesfield Road, Chapeltown, Sheffield.

Piece work and day rates

From the Managing Director, Fine Tubes

Sir—It would be interesting to know the authority on which Mr T. Finnegan (August 25) bases his claim that moving from piece-work to day rates must involve acceptance of a 20 per cent reduction in employee effort.

This dangerous fallacy must not go unchallenged. Like so much else in life one gets what one deserves and this applies as much in management as in private life.

For too long much of British management has used piece-work as a crutch and an easy alternative to the prime responsibility of leadership. If managers will earn the trust of their employees by, among other things, consistent fair treatment and the regular provision of all the facts, they will find that nothing is impossible, including the maintenance of high productivity.

Rolls-Royce has got it right: if it fails it will not survive. It will succeed as many others have done before. But it calls for dedication, long hours and hard work.

If I correctly recall a famous British Institute of Management survey, the majority of British managers would prefer to be gentlemen-farmers. Perhaps that is one of the main causes of our present national problems.

T. M. Barclay, Fine Tubes, Estover, Plymouth.

Frustrations of delivering letters

From Mr J. R. Poits

Sir—I have recently been involved in delivering envelopes for a charitable appeal to a large number of firms in the City of London, and have found it a frustrating experience.

Many buildings do not show a street number, and a significant proportion of corner buildings do not show the street name. Newly-constructed buildings are major offenders.

Can I prevail upon your readers in the City to check whether their own building is an offender, and in which case to do something about it. J. R. Poits, Loyds Chambers, 9-13, Crutched Friars, EC3

Little movement on discrimination

From Mr Rosemary Berry

Sir—It is often said that one cannot legislate against discrimination. How true that is! I read with considerable interest the recent article on the trials currently in progress in Norway on the "Smart" card in the development of electronic funds transfer. The article was most informative and reminded me of the time of change which exists in so many fields of technology.

Towards the end, however, a simple observation slipped in, which illustrates the perceptions which are so common in our society about the roles which men and women typically play in a business environment, particularly a retail one. "In the morning the manager can 'open' the system with his card, the cashier can log on with hers."

I have been closely associated with both retail and banking industries in this country since before the introduction of legislation either on sex discrimination or equal pay and it saddens me that there has been so little movement over a decade or more to change the roles of men and women within the retail industry.

I feel able to say that my own company is far less chauvinistic than some but I know for a fact that within the retail industry per se, while the letter of the law is undoubtedly

observed with regard to equal opportunities and equal pay, there are still jobs which are very typically thought of as men's jobs and those which are reserved for women. I only wish I could see some real prospect of any real change in the situation.

Rosemary J. Berry, Director Personnel, UK Travel Operations, Thomas Cook, P.O. Box 36, Thorpe Wood, Peterborough.

No magic wand will be waved

From Mr D. Pitts

Sir—I view with complete dismay, the current media view of the Confederation of British Industry. I believe that that organisation is attempting to be economically realistic, as confirmation of its membership researches indicates.

It seems that Government has spent these past twelve months, at approximately three-monthly intervals, indulging in a public relations campaign, to tell the country, and the business world in particular, that things are not really as bad as they think and, in fact, they are getting progressively better. The hard fact of life is that the majority of those in the construction industry are having a pretty rough time, increases in cost are only acceptable through improved efficiency and performance. Many of us see little real increase in activity, inspite

of Government belief to the contrary.

The basic situation seems that with 3m-plus unemployed, no Government, whatever colour, is going to wave a magic wand to cure this ills. The sooner the public at large, realises that government of itself has no money, and only acquires it by taxation, then it surely must be clear that there are increasingly fewer of us who are attempting to generate wealth and pay taxes, while there are increasing numbers of those who have to be supported—the public sector and the unemployed.

Please will the Government attempt to reduce the revenue expenditure of this public sector—the wages and salaries bill—to a level of efficiency comparable with present private industry (which has already been through its "trauma of change" these past two and a half years) so that a realistic view may be taken of capital expenditure which, through national and local government, accounts for some 80 per cent of the construction industry throughput.

Finally, let us get away from the "sides situation". Why shouldn't organisations like CBI talk to the Opposition, as well as Government, whoever is in power. All surely, it is trying to do, is to help develop the economic base of the country, so that there may be a fairer balance between those who produce wealth and those who consume it. David Pitts and Holt, 418, Cutler Heights Lane, Bradford, Yorkshire.

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Companies and Markets

UK COMPANY NEWS

Invest. Trust of Guernsey improvement

Net revenue of the Investment Trust of Guernsey advanced from £239,000 to £318,000 for the first half of 1982, but the board does not expect that this rate of increase will be maintained for the second six months. Net revenue for the whole of 1981 totalled £614,000.

The interim dividend is being raised from an equivalent 1.8p to 2.1p gross per 50p share and shareholders will also be given the right to elect to receive new shares in lieu of the net cash dividend.

Net asset value per share at June 30, 1982, was 112p, as against 115p six months earlier. The market value of investments came to £13.7m (£14.28m) and cash on short-term deposit increased from £0.6m to £1.3m.

MORGAN CRUCIBLE

At separate meetings of the holders of the 51 per cent irredeemable loan stock and the 6 1/2 per cent irredeemable loan stock of Morgan Crucible, passed extraordinary resolutions approving the terms of the repayment of each of the stocks.

Accordingly, the proposals for the repayment of £51 per cent of the 51 per cent stock and £68 per cent of the 6 1/2 per cent stock have become unconditional.

SUPRA GROUP LAND PURCHASE

Supra Group has purchased from Anchor Development 1.75 acres of freehold land in Monmouth, near Leamington Spa, for £70,000.

The land, on which planning permission has been granted, is adjacent to an existing Supra freehold property occupied by a subsidiary, Supra Automotive.

The consideration has been satisfied by the issue of 233,334 ordinary shares of Supra at 30p each and credited to the vendor as fully paid.

Exchange of RIT and Hume debenture stocks approved

At meetings held yesterday the holders of RIT debenture stocks and of Hume Investment Trust Company debenture stocks approved and sanctioned the proposals for the exchange of new debenture stocks of RIT and Northern for the existing debenture stocks of RIT and of Hume. Dealings in the new debenture stocks of RIT and Northern issued in exchange for RIT debenture stocks and Hume debenture stocks are expected to commence on August 31 for deferred settlement on September 21.

In order to simplify the borrowing structure of the enlarged group and to facilitate transfer of assets by RIT to RIT and Northern, Low Debenture Corporation, trustee for the holders of the J. Rothschild Investment Holdings (JRI) 14.25 per cent Guaranteed bonds due 1990, has, at the request of JRI, the guarantor (RIT) and RIT and Northern, concurred in a modification of the trust deed. The modification involves:

(a) Giving of a guarantee in respect of the bonds of RIT and Northern in addition to, but (immediately prior to any members' voluntary winding up of the guarantor) in substitution for the release of the guarantee in respect of the bonds given by the guarantor.

(b) An increase in the annual rate of interest on the bonds of 1.4 per cent as from August 15, 1982.

(c) The introduction of a prohibition on the disposal (without the consent of the trustee) of assets by RIT and Northern and its subsidiaries to any holding company of RIT and Northern.

Arlington Motor stays on same course

Management accounts showed that trading results of Arlington Motor Holdings were continuing on the same course as indicated in the recent chairman's statement. Members were told at the annual meeting.

Last month, Mr. N. C. N. Housden, the chairman, said he was encouraged by management accounts that showed the group to have been trading profitably this year, with trading results well ahead of those for the corresponding period of 1981.

For the year ended March 31, 1982, Arlington made a loss before tax of £90,000 (£94,000 profit) on marginally higher turnover of £58.9m (£5.7m). The group is principally engaged as a motor dealer.

NORWEST HOLST HOLDINGS

Norwest Holst Holdings is to redeem all outstanding preference shares on November 30 1982 at par, together with the accrued dividend.

In addition to the half year dividend of 5.875p net payable on September 30 1982 and to the principal monies payable on redemption, holders will thus receive on redemption, the dividend accruing from October 1 through to November 30 1982 of 1.967p net.

RENWICKS BUYS PHOENICIA TRAVEL

Renwicks Travel, a subsidiary of the Renwick Group, has agreed to purchase the capital of Phoenixia Travel and its subsidiary, Travellers Joy Travel Service, which operate 10 travel agencies in Avon and Somerset.

The consideration payable is £410,000, of which £310,000 is payable on completion on September 30, 1982, and the balance on June 30, 1983.

The net tangible assets of Phoenixia and Travellers Joy are valued at £30,000 and profits for the year to September 30, 1981 were £13,700.

RESULTS AND ACCOUNTS IN BRIEF

PITMAN (publisher, printer, college proprietor)—Results for year to March 31 1982 already known. Shareholders' funds £10.24m (£10.81m); fixed assets £8.18m (£10.82m); net current assets £2.06m (£2.83m); including loans and overdrafts £2.71m (£4.88m); medium term loans £4.68m (£4.68m); including bank loans £2.51m (£2.82m); increase in working capital £2.15m (£1.07m). Dividend: 12.5p (11.0p) net. Retention: £17,231 paid to former director. Meeting: Churchill Hotel, W, September 23, 11.30 am.

STONEHILL HOLDINGS (domestic furniture maker)—Results for the 53 weeks to April 4 1982 reported June 27. Shareholders' funds £4.92m (£5.03m). Fixed assets £2.67m (£2.78m). Current assets £2.25m (£2.61m), including bank balances and short-term deposits £2,651 (£1.33m). Net current assets £2.25m (£2.61m). Retirement benefits of £17,231 paid to former director. Meeting: Churchill Hotel, W, September 23, 11.30 am.

OIL AND ASSOCIATED INVESTMENT

Sceptre Resources C\$978,000 in loss

IN THE first half of 1982 Sceptre Resources—whose operations were combined with the Canadian activities of Francana Oil and Gas on May 14 1982—increased revenue by 93 per cent from C\$4.14m to C\$7.96m. The results reflect the combined entities after acquisition.

Cash flow from operations declined approximately 7 per cent to C\$2.62m (22 cents per share) from C\$2.82m (23 cents per share).

However, the operations produced losses of C\$978,000 compared to earnings of \$9,000. After deductions for dividends paid on outstanding convertible preferred shares, losses per share emerged at 17 cents compared with 12 cents.

Capital spending during the period amounted to \$21.1m. Approximately 50 per cent of this was made in the U.S. 28 per cent in Abu Dhabi, UAE and 14 per cent in Canada.

During the six months, Sceptre participated in a total of 68 gross wells—49 in Canada, 17 in the U.S. and two overseas—resulting in 18 oil or potential oil wells, 22 natural gas wells and 28 dry, abandoned or suspended wells.

Primarily, as a result of the Francana acquisition, Sceptre's natural gas production for 1982 increased 130 per cent to 12.7m cu ft a day and crude oil production increased by more than 500 per cent to 790 barrels a day.

On a pro forma basis with Francana, Sceptre's gross proven and probable oil and gas reserves are estimated by independent engineering consultants to be in excess of 22m barrels of oil and approximately 300b cu ft of natural gas.

For 1982, when Sceptre will experience the full impact of the

RECENT ISSUES

EQUITIES

Issue price	Latest price	1982	Stock	Closing price	+ or -
1981	1982	High	Low		
45	45	45	45	Anglo-Nordic Sp.	28
45	45	45	45	Antiparaga Wiggins	75
45	45	45	45	Argyll Foods Warf.	19
45	45	45	45	Atlantic Res. Int.	25
45	45	45	45	Berkeley Holdings Sp.	25
45	45	45	45	Berkeley H. Inv. 10p	7 1/2
45	45	45	45	Bio-Isolates 10p	68
45	45	45	45	Colman Mine 10p	42
45	45	45	45	Delmar Group	26
45	45	45	45	Ecobric New Ordil	96
45	45	45	45	Do. Do. Do.	60
45	45	45	45	Hadson Pet. Int.	151
45	45	45	45	Int. Europe Tech. Sp.	151
45	45	45	45	Knight Compt. Int.	56
45	45	45	45	McCarty & Stone	195
45	45	45	45	Mercuria Int. New	388
45	45	45	45	Multitone Elect.	178
45	45	45	45	Patrol Electronics	180
45	45	45	45	RT & Northern W.	24
45	45	45	45	Rowe Evans Inv. 10p	30
45	45	45	45	Sheraton Sec. 10p	11
45	45	45	45	Walker (Africa) 10p	25
45	45	45	45	Yelverton, Sp.	28

FIXED INTEREST STOCKS

Issue price	Latest price	1982	Stock	Closing price	+ or -
1981	1982	High	Low		
99.998	100	99.998	99.998	Antiparaga 3 1/2% Pref. (C1)	55p
100	100	100	100	Australia 13 1/2% Ln. 2010	25 1/2
100	100	100	100	Grants 1 1/2% Cnv. Unk. Ln. 92	100
100	100	100	100	Electricite de France 19% Ln. 2008	21
100	100	100	100	Nationwide Bde. Sec. 11 1/2% (15.8.83)	100
100	100	100	100	Do. Do. 11 1/2% (15.8.83)	100
99.998	100	99.998	99.998	24 1/2% New Zealand 1987	24 1/2
100	100	100	100	Portsmouth Water 14% Red. Deb. 92.10.77	100
100	100	100	100	Smurfit (Jefferson) P. Units 25	12
100	100	100	100	West Kent Water Sd. Red. Pref. 87.59.15	15

"RIGHTS" OFFERS

Issue price	Latest price	1982	Stock	Closing price	+ or -
1981	1982	High	Low		
180	180	180	180	Automated Security 10p	245 1/2
100	100	100	100	Berkeley Exploration L.	128 1/2
100	100	100	100	Bundell-Parnocor	121
400	400	400	400	Eurotherm Int. 10p	102 1/2
100	100	100	100	Goal Pat. 5p	84
85	85	85	85	Janika & Co. Ltd.	21
78	78	78	78	Patrol Electronics	180

Manuscript data usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. c Dividend rate paid or payable on part of capital cover based on dividend on full capital. d Assumed dividend and yield. e Indicated dividend cover relates to previous dividend. f P/E ratio based on latest annual earnings. g Forecast dividend: cover based on previous year's earnings. h Dividend and yield based on prospectus or other official estimates for 1982. i Gross. j Figures of report awarded. k Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. l Placing price. m Unless otherwise indicated. n Issued by way of capitalisation. o Reintroduced. p Issued in connection with reorganisation, merger or take-over. q Introduced. r Issued to former preference holders. s Allotment letters (or fully-paid). t Provisional or partly-paid allotment letters. u With warrants. v Dealings under special rule. w Unissued Securities Market. x London Listing. y Effective issue price after scrip. z Formerly dealt in under Rule 183(2)(a). ** Unit comprising five ordinary and three Cap. shares. A Issued free as an entitlement to ordinary holders.

F. H. Tomkins p.l.c.

FASTENER DISTRIBUTION BUCKLE & FASTENER MANUFACTURERS

"The greatly reduced operating base has been a key factor in achieving some measure of progress towards restoring a more acceptable earnings level."

Desmond Porter, Chairman

Summary of Results:	1981/82	1980/81
U.K. sales	£'000	£'000
Export and overseas sales	10,875	11,368
Total sales	4,443	4,756
Profit before tax and Extra-ordinary items	15,318	18,124
Profit after tax and minority interests but before Extra-ordinary items	1,270	788
Extra-ordinary items—less tax	991	711
Transfer from reserves	—	(1,785)
Earnings per share	—	(1,074)
Dividends per share (including tax credit)	3.85p	2.81p
Net assets per 5p share	1.928p	1.842p
	26.14p	23.80p

FHT

Copies of the Report and Accounts are available from the Secretary, Bescot Crescent, Walsall, West Midlands WS1 4NP.

This advertisement complies with the requirements of the Council of The Stock Exchange.

U.S. \$50,000,000

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft

(Incorporated in the Republic of Austria with limited liability)



15 1/4% Subordinated Bonds Due 1989

Subordinated as to payment of principal and interest

The following have agreed to subscribe or procure subscribers for the Bonds:

Credit Suisse First Boston Limited

Morgan Stanley International

Algemene Bank Nederland N.V.

Chase Manhattan Limited

Citicorp International Bank Limited

County Bank Limited

Crédit Lyonnais

Deutsche Bank Aktiengesellschaft

Kreditbank S.A. Luxembourggoise

Kuwait Foreign Trading Contracting & Investment Co.(S.A.K.)

Merrill Lynch International & Co.

Orion Royal Bank Limited

Salomon Brothers International

Swiss Bank Corporation International Limited

Westdeutsche Landesbank Girozentrale

The issue price of the Bonds is 100 per cent. The Bonds have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Bond.

Interest is payable in arrears on 1st September, the first payment being made on 1st September, 1983.

Full particulars of the Borrower and the Bonds are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 14th September, 1982 from the brokers to the issue:

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7ANBuckmaster & Moore,
The Stock Exchange,
London EC2P 2JT

31st August, 1982

Bank of Ireland

announces that with effect from close of business on the 31st August, 1982

its

Base Rate for Lending

is reduced from

11% to 10 1/2%

per annum

Bank of Ireland

Hill Samuel Base Rate

With effect from the close of business on August 31st, 1982 Hill Samuel's Base Rate for lending will be reduced from 11 per cent to 10 1/2 per cent per annum.

Interest payable on the Bank's Demand Deposit Accounts will be at the rate of 7 1/2 per cent per annum.

Hill Samuel & Co. Limited

100 Wood Street, London EC2P 2AJ

Telephone: 01-628 8011



This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.



Crédit National

(a French corporation created 20th November, 1919 for a term expiring 20th November, 2018)

Issue of up to

£37,500,000 13 1/2 per cent Notes 1989

unconditionally guaranteed, as to payment of principal, premium (if any) and interest, by

The Republic of France

Interest payable semi-annually on 5th May and 5th November

Hambros Bank Limited

Samuel Montagu & Co. Limited

In accordance with the requirements of The Stock Exchange in London, up to £1,500,000 nominal of Notes will be available to the market on Tuesday 31st August, 1982. The issue price will be determined and an announcement made later today. The Notes will be payable in full on acceptance.

It is proposed to place up to £16,500,000 nominal of the Notes and application has been made to the Council of The Stock Exchange for the amount of Notes placed to be admitted to the Official List. Application will be made for admission of further Notes to be admitted to the Official List as and when conversion (further details of which are set out in the available particulars) occurs.

Particulars of Crédit National and the Notes are available in Extel Statistical Services Limited. Until 15th September, 1982, particulars may be obtained during usual business hours on any weekday (public holidays excepted) from the Brokers to the issue:

W. Greenwell & Co.,
Bow Bells House,
Broad Street,
London EC4M 9EL

31st August, 1982

Rowe & Pitman,
City Gate House,
39-45 Finsbury Square,
London EC2A 1JA

U.S. BONDS

Euphoria fades as Fed funds tighten

THE RECENT rally in the credit markets has come to an abrupt halt, at least temporarily. The euphoria with which the markets embraced the sharp decline in short-term interest rates has faded fast. Even the discount rate cut last Thursday was fully discounted ahead of the announcement.

The bond market, which had looked like all week, ended yesterday on a sour note as short-term interest rates climbed by up to 60 basis points and the Fed funds rate traded at around 10 per cent — significantly higher than its level in recent weeks.

The flood of new corporate paper dried up as company treasurers sensed a change in the tone of the market and on Friday prices of government securities plunged.

The overwhelming view in the markets is that the Fed

The onslaught adds up to another test of the market's digestive systems and may well crowd out already cautious corporate borrowers. Last week only \$1.1bn of new corporate issues was brought to the market compared with almost \$3bn during the previous week's bull rally.

On a brighter note the credit markets have warmly embraced two new pet-projects, or tigers, as the media insist upon calling them, and CATS (Certificates of Account on Treasury Securities) are two new forms of the old game of coupon stripping—separating the coupon from a bond and selling the two as deeply discounted zero-coupon securities.

In the past three weeks Tigris and CATS with a face value of almost \$7bn have been launched, and it is claimed by their proponents, have been snapped up mostly by institutional investors.

The idea behind the Tigris and Tigris look-alikes is that the investment firm buys Government securities, places them in a bank on trust and then sells the receipts against both the principal and against the interest paid out by the Treasury. There are two forms of Tigris, callable Tigris which represent claims against the principal portion of the bond, and serial Tigris which represent claims against the interest paid by the Treasury on the bonds.

The serial Tigris does not pay any regular interest. Instead the investor buys the Tigris at a sizeable discount and receives a single lump sum payment representing compounded interest payments when the Tigris matures.

The investment firms selling Tigris like the issues because they can earn a handsome profit on the difference in the cost of the Treasury securities and the price they can get for the receipts. The Treasury is kept happy because they increase the demand for its notes.

Two major uncertainties persist however. First is the question of how the issues will fare if interest rates do indeed stabilise or start to harden. The second is whether a lively secondary market will develop for the receipts.

Paul Taylor

Barclays South Africa to move into home mortgages

BY BERNARD SIMON IN JOHANNESBURG

BARCLAYS National Bank, South Africa's largest banking group, has become the country's first bank to offer home mortgages in direct competition with building societies. Barclays is 58 per cent owned by Barclays Bank International of the UK.

The bank's move is an important escalation of the increasingly fierce competition between banks and building societies. It comes in the wake of a sharp drop in the mortgage advances as a result of their difficulty in attracting

deposits. Mr Ron Hayward, Barclays' divisional general manager in charge of marketing, said that "we saw a desperate need in the market place for these funds." It is estimated that Barclays is prepared to commit as much as R500m to home finance, about the same as the 11 building societies advanced in the three months to June.

Barclays' mortgages will carry interest rates of between 17 per cent and 19 per cent, about 2 per cent higher than building society rates, which

are subsidised by the societies' ability to offer tax-free investments at relatively low cost.

Nonetheless, the new home loans will be available at a cost well below prime overdraft rate, currently 20 per cent. Barclays is also offering larger amounts and longer repayment periods than the societies.

Building society officials said the move may force them to raise deposit rates to attract more funds and protect their near-monopoly of the home finance market but this would result in higher mortgage rates.

Woolworths bid withdrawal row

BY MICHAEL THOMPSON-NOEL IN SYDNEY

WOOLWORTHS of Australia, which on Friday made a surprise withdrawal from its A\$186m (US\$122.3m) offer for rival retailer, Grace Brothers Holdings, is to make an announcement to Australian stock markets this morning.

This follows separate meetings between Woolworths and Grace Brothers with the National Companies and Securities Commission in Melbourne yesterday to clarify the legal position affecting Woolworths' withdrawal.

Woolworths withdrew after Grace Brothers announced a 24.8 per cent fall in profits for the year to July 31, to A\$13.7m. Mr Michael Grace, chairman of Grace Brothers, described Woolworths' manoeuvre as "unbelievable".

Woolworths said: "The extent of the Grace Brothers' downturn would make it exceptionally difficult for the merger companies to quickly bring about the operating and financial benefits on which the bid was structured."

The withdrawal came only hours after the bid had been accepted by a clutch of heavy-weight shareholders. These were Savona, backed by the Singaporean hotelier and developer, Tan Sri Khoo Teck Puan, Bond Corporation, the Adelaide Steamship Group, and the Grace family interest — each with about 20 per cent.

Woolworths' itself already controlled almost 7.3 per cent of Grace Brothers' capital and its action has roused bitter controversy.

New directors for Chase Manhattan

Mr Philip Caldwell and Mr Ralph E. Ward have been elected to the board of THE CHASE MANHATTAN CORPORATION and THE CHASE MANHATTAN BANK, N.A., from September 1. Mr Caldwell is chairman of the board and chief executive officer of Ford Motor Company, Dearborn, Michigan. Mr Ward is chairman of the board, president and chief executive officer of Chesapeake and Potomac Telephone Company, Greenbelt, Maryland.

Mr Terry S. Boyce has been elected vice-president for corporate resources of ROCKEFELLER CENTER INC. Mr Boyce was vice president—human resources for AM International, Inc.

Mr William E. Boyle has been named vice-president of financial marketing for the

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHEMCO). Mr Richard A. Reed has been named vice-president of mortgage marketing. Mr Reed was formerly director of mortgage programmes.

NATOMAS COMPANY has appointed Mr Bill Moffat senior vice-president for Natomas North America. He will oversee accounting, control systems, long-range planning and oil and gas marketing for the Natomas petroleum subsidiary based in Houston. Mr Moffat joined Natomas as director of strategic planning in the company's corporate development division, and was named vice-president of the division in December 1979.

Mr Thomas E. Neville has been named vice-president for corporate development. Mr Neville joined Natomas as director of strategic planning in the corporate development department.

Mr John Strasser has succeeded Dr Hans A. Siegfried as

board chairman of the Swiss chemical company SIEGFRIED AG, Zolingen.

Mr Robert A. Hanson, president, has been elected executive officer of DEERE & COMPANY. He succeeds Mr William A. Hewitt, who has been nominated as U.S. Ambassador to Jamaica. Mr Hewitt will remain as chairman of Deere & Company until he is sworn in as Ambassador.

Dr Dennis E. Eastland has joined PROCON INTERNATIONAL INC. in Des Plaines, Ill., as deputy director of marketing—Far East.

PETROLINK INC. has elected Mr B. Bruce Baldridge, executive vice-president, to its board of directors.

M.L.M. HOLDINGS has appointed Mr Roger Marshall executive general manager—coal. He will join the boards of Collinsville Coal Company Pty, Newlands Coal Pty, Oakley Creek Coal Pty and Abbot Point Bulk Coal Pty. Mr Marshall is general

Boliden slips into the red at midway

By William Ouliffe in Stockholm

BOLIDEN, the Swedish metals and chemicals group, reports a first half pre-tax loss of SKr 112m (\$18.2m) against the SKr 125m profit earned in the first six months of last year. The earnings plunge is attributed to the sharp fall in income from metals trading, a lower return from transport operations and a powerful surge in costs.

Turnover declined by SKr 496m to SKr 2,299m but the sales figure for the first half of 1981 included SKr 552m from Supra, the fertilizer company which has since been sold to Norsk Hydro. An unspecified extraordinary income of SKr 37m reduces the half-year loss to SKr 75m.

Boliden has revised downwards its 1982 earnings forecast for the second time this year. It now expects to make a pre-tax profit, including extraordinary items, of SKr 40m in the year as a whole. This compares with the SKr 203m recorded last year and SKr 430m in 1980.

The anticipated profit slump is blamed on low metal prices, higher production costs and increased financial charges.

Sime Darby profits dip but payout held

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY, Malaysia's biggest non-oil company, reports reduced profits for the year ended June 1982 but is to maintain its dividend.

Net profit after tax and minority interests, was \$2.6m ringgit, representing a decline of 25 per cent. Turnover rose 3 per cent to 2.73m ringgit.

The group had extraordinary profits of 4m ringgit, compared with 167m ringgit last year when it sold its investments in Highlands and Lowlands, Guthrie Corporation and Amoy Canning.

Half-way through 1981-82, Sime's pre-tax and net profit were 108m and 41.4m ringgit respectively, representing declines of 17 and 39 per cent. The improvement in the second half came from better performance at the Tractors and

Western divisions, and tighter control of costs.

Robert Bradford, the Western division insurance business, which incurred substantial losses, together with Guy Butler, a money broking firm, were sold in June. An extraordinary loss of 11.9m ringgit was incurred in addition to a provision of 29.4m ringgit, taken against reserves for run-off costs.

Sime is to pay a final dividend of 6.8 cents, making an unchanged 10.8 cents for the year after adjustment for a one-for-four scrip issue.

However, final dividends at Consolidated Plantations and Tractors Malaysia were cut, reducing payments to 14.3 and 30 cents respectively for the year. Last year's payouts were 18 and 37.5 cents respectively.

Sasol raises earnings

BY OUR JOHANNESBURG CORRESPONDENT

SASOL, the South African oil-from-coal producer, reports pre-tax profit 23.4 per cent ahead at R347.6m (\$205m) for the year ended June 1982.

The Sasol two synfuels project came on stream in the first half of the financial year while the third phase of the project, Sasol 3, is scheduled to start producing liquid fuels shortly.

Sasol 2 was brought on stream within its original budget of R2.5bn and Sasol 3 is expected to be completed within its budgeted capital cost of R2.3bn.

A total dividend of 24 cents has been declared from earnings of 33.2 cents a share. For 1980-1981 earnings were 44.4 cents a share from which a total dividend of 20 cents was paid.

INTERNATIONAL APPOINTMENTS

board chairman of the Swiss chemical company SIEGFRIED AG, Zolingen.

Mr Robert A. Hanson, president, has been elected executive officer of DEERE & COMPANY. He succeeds Mr William A. Hewitt, who has been nominated as U.S. Ambassador to Jamaica. Mr Hewitt will remain as chairman of Deere & Company until he is sworn in as Ambassador.

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manager—coal for B.P. Australia.

Mr W. J. Benson has been elected a director of NATIONAL BANK OF NORTH AMERICA.

Mr Werner K. Key, proprietor of Schaeffler Metalwerke Solva Holding AG, Thun, has joined the board of ATELIERS DE CONSTRUCTIONS MECAN- IQUES, Vevey. Mr Key recently became the major shareholder of the company.

CANADIAN AMERICAN BANK has appointed Mr Henri de Crouy-Chanel its managing director and chief executive officer. He replaces Mr Jacques L. Schutte who takes up a new appointment at Northwest Bancorporation, the parent of Canadian American Bank.

Mr de Crouy-Chanel has been managing director of the Luxembourg office since 1979. He plans to maintain his headquarters in Luxembourg. The representative office in London will be directed by Mr Charles E. Meech, managing director, who has been

in London since 1974 and with the parent since 1966.

The M. W. KELLOGG COMPANY and RUST INTERNATIONAL CORP., both members of the Kellogg Rust organization, have made several changes: Mr David R. Rozendale has been named executive vice-president and chief operating officer of Kellogg Rust, transferring to Houston from Birmingham, where he had been president of Rust International Corp. Mr Rodney C. Gilbert has been appointed president of Rust. Mr Donald C. Vaughn has replaced Mr Gilbert as executive vice-president of Rust. Mr Gary D. Jones has been named president of M. W. Kellogg Constructors but remains president of Rust Engineering Company. Mr Frank de Crouy-Chanel has been managing director of The M. W. Kellogg Company, has assumed responsibility for all sales operations of the worldwide Kellogg group of design, engineering and construction management companies.

Mr W. J. Benson. He is group chief executive and a director of National Westminster Bank, NBN's parent bank.

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FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS					YEN STRAIGHTS					EUROBOND TURNOVER					
Issued	Bid	Offer	Change on day week	Yield	Issued	Bid	Offer	Change on day week	Yield	Issued	Bid	Offer	Change on day week	Yield	
Aetna Life 15 86/87	150	105 1/2	0.13	102	EIS 82	15	97 1/2	+0.04	0.87	102	102 1/2	102 1/2	0.00	8.57	
Amex Int. Fin. 15 82	75	102 1/2	0.24	16.7	Japan Airlines 74 87	15	99 1/2	+0.04	0.83	102	102 1/2	102 1/2	0.00	8.57	
Amex O/S Fin. 15 82	75	100 1/2	0.14	14	New Zealand 84 87	15	99 1/2	+0.04	0.83	102	102 1/2	102 1/2	0.00	8.57	
AT&T 14 89	400	105 1/2	0.12	8.5	World Bank 84 82	20	99 1/2	+0.04	0.83	102	102 1/2	102 1/2	0.00	8.57	
Baker Int. Fin. 0.0 82	225	28 1/2	0.14	08	Average price changes... On day -0.04 on week +0.04										
BHP Finance 14 82	150	100 1/2	0.14	48	OTHER STRAIGHTS					Change on day week					
Bk. Amer. NT SA 12 87	300	96 1/2	0.12	8.9	Bell Canada 16 89 C.S.	100	1100	101	+0.04	15.81	102	102 1/2	102 1/2	0.00	8.57
Bk. Montreal 14 87	100	98 1/2	0.14	48	B. Col. Tel. 17 88 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Banc. Ind. 15 82	100	100 1/2	0.14	71	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
British Col. Hyd. 15 82	200	104 1/2	0.13	58	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 14 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 15 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 16 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 17 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 18 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 19 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 20 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 21 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 22 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 23 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 24 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 25 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 26 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 27 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 28 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 29 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 30 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
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Canada 32 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 33 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 34 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 35 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 36 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 37 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 38 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 39 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 40 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 41 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 42 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 43 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 44 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
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Canada 50 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 51 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 52 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 53 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 54 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
Canada 55 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102	102 1/2	102 1/2	0.00	8.57
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Canada 79 87	150	105 1/2	0.14	05	Can. Pac. S. 18 89 C.S.	50	1102	103	+0.11	16.49	102				

The Financial Times Desk Diary is the ideal investment for 1983. It is the business diary by which all others are judged and the one that pays dividends every day of the year.

To call it just a diary is almost misleading—it's certainly an understatement. Inside the distinguished gold blocked leather cover you'll find the equivalent of a complete international business directory. All the essential information required by today's leading international executives is here in a neat, concise format. All carefully researched and prepared.

Take the Travel Section, for example. If you're planning a business trip in the UK or abroad you'll find everything you need to know. Not only how to get there but how to travel around when you are there, where to stay and what weather to expect. You'll even find seating plans of all the major passenger aircraft, including Concorde naturally.

When it comes to more down to earth, everyday business planning the Diary is equally invaluable. Generous space and disciplined graphics assist record keeping while the analysis section enables you to monitor monthly expenses, company performance and staff holidays.

Practical yet prestigious—the ideal business gift

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Only the finest materials have been selected. Sumptuous black or burgundy leather, superb gold blocking and gilt edging, top quality paper and non-fraying ribbon—all combine to produce the perfect diary, crafted to the highest possible standards.

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The rarity of a good looking and luxurious aid to business efficiency makes the Financial Times Diary a justifiable extravagance for yourself—or alternatively an exceptional business gift for your most valued clients.

Just consider how they will appreciate receiving such a diary. And when the Diary carries your company logo gold blocked on the cover it makes sound business sense indeed.

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impressive publicity insert of any length from one page to eight. Both are surprisingly cost effective ways to ensure your name appears daily, in front of the people you most want to influence.

The complete Financial Times Diary range

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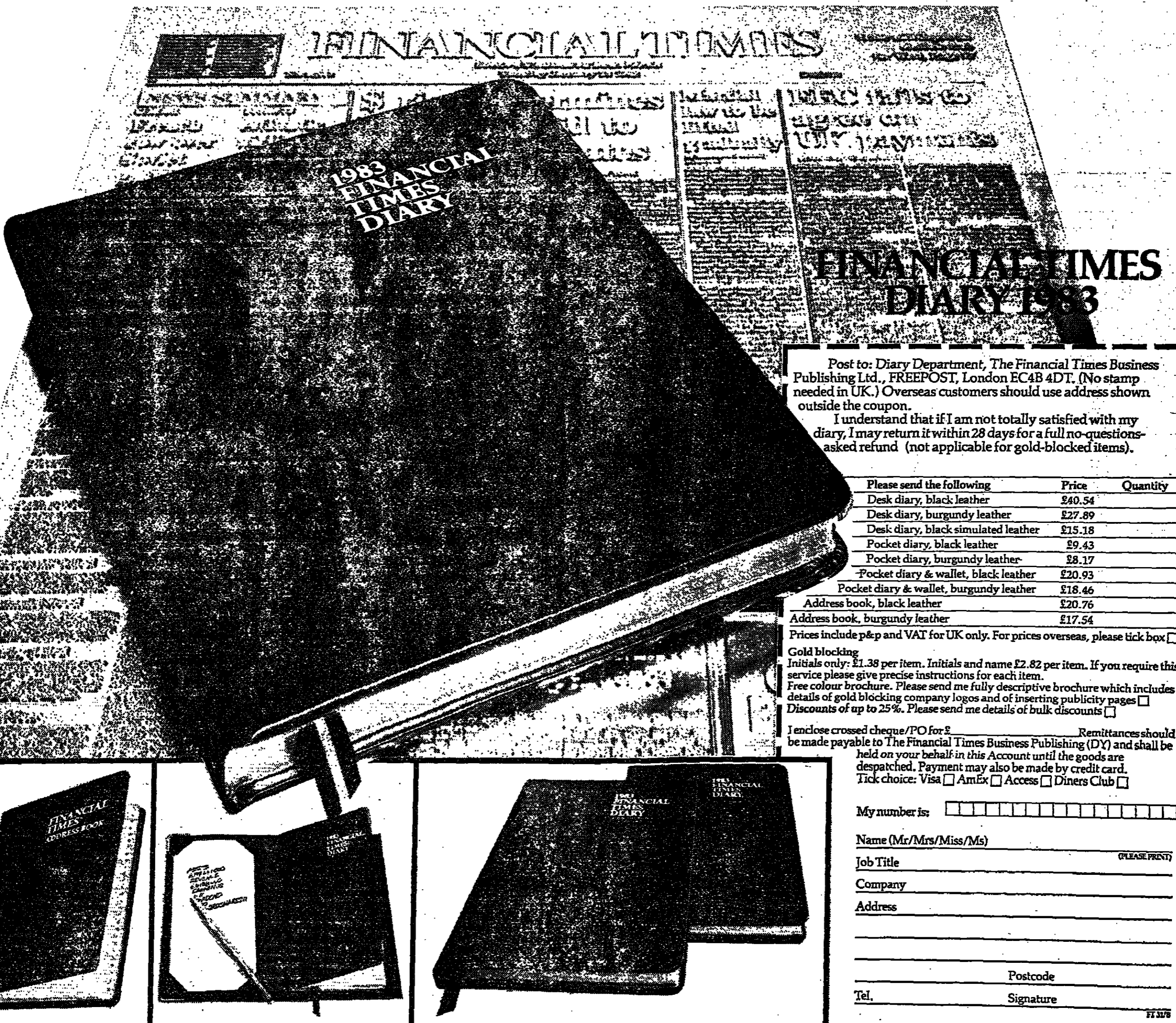
The Pocket Diary, though elegantly slim, contains a wealth of information including 20 profiles of international business centres and comprehensive UK and London guides. The matching Wallet, with pockets for banknotes, tickets and other papers, holds the diary perfectly year after year. There's even a handy loose-leaf note holder.

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I understand that if I am not totally satisfied with my diary, I may return it within 28 days for a full no-questions-asked refund (not applicable for gold-blocked items).

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Desk diary, black simulated leather	£15.18	
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Pocket diary & wallet, black leather	£20.93	
Pocket diary & wallet, burgundy leather	£18.46	
Address book, black leather	£20.76	
Address book, burgundy leather	£17.54	

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Free colour brochure. Please send me fully descriptive brochure which includes details of gold blocking company logos and of inserting publicity pages ☐
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I enclose crossed cheque/PO for £ Remittances should be made payable to The Financial Times Business Publishing (DY) and shall be held on your behalf in this Account until the goods are despatched. Payment may also be made by credit card.
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FT 1078

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هكذامن الجمل

هكذا من اجل

Back to nature—American style

The sewerage treatment facilities originally planned are to be relocated some 20 km outside the new city limits, and work on the preparation of a preliminary engineering design report has now started.

Log houses appear in multitudinous forms. Daring handy-men with a lot of time and timber on their hands can literally hew one out of the surrounding landscape, whereas the less adventurous with more

100-443887-100

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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any of the debenture stocks.

RIT and Northern p.l.c.

An investment company under S.41 of the Companies Act 1980
(Registered in Scotland No. 13363)

\$200,000 5½ per cent. Redeemable Debenture Stock
\$1,081,564 6½ per cent. Debenture Stock 1982/87
\$350,000 7 per cent. Debenture Stock 1984/86
\$233,000 7 per cent. Debenture Stock 1986/91
\$750,000 7½ per cent. Debenture Stock 1984/88
\$421,865 7½ per cent. Debenture Stock 1986/91

The Council of The Stock Exchange has admitted the above-mentioned debenture stocks to the Official List. Particulars of the debenture stocks are available in the statistical services of Emtel Statistical Services Limited and copies may be obtained during normal business hours up to and including 14th September, 1982 from—

S. G. Warburg & Co. Ltd.,
30 Gresham Street,
London EC2P 2EB
Cassara & Co.,
12 Tokenhouse Yard,
London EC3R 7AN
Loring & Crutchbank,
15th Floor,
The Stock Exchange,
London EC2N 1HA
Parsons & Co.,
100 West Nile Street,
Glasgow G1 2QU

31st August 1982

TO THE HOLDERS OF

DENNY'S INTERNATIONAL N.V.

5¼% Subordinated Guaranteed Debentures Due 1989
(Guaranteed on a subordinated basis by and convertible on and after October 1, 1983 into Common Stock of Denny's Restaurants, Inc.)

You are hereby notified that pursuant to the provisions of Section 4.04 of the Indenture Dated as of March 1, 1980 between the Company and Denny's Restaurants, Inc. (now Denny's Inc.), Guarantor, and Bank of America National Trust and Savings Association, Trustee, the price at which Debentures may be converted into common stock of the Guarantor has been adjusted and that the new conversion price is \$26.25 principal amount of Debentures for each share of common stock. Details of the computation of the new conversion price are on file with the Trustee.

Dated: August 31, 1982

Denny's Inc.

Financial Times Conferences

WORLD FINANCIAL FUTURES

London — September 13, 14 and 15

This major meeting has been arranged to precede the opening of the London International Financial Futures Exchange. The conference will analyse developments in financial futures markets worldwide and will feature papers by Mr John Sandner from Chicago Mercantile Exchange; Mr John Blin, New York Futures Exchange; Mr Michael Jenkins, LIFFE; and Commissioner Susan Phillips, CFTC.

EUROPEAN BANKING

London — October 18 and 19

To be chaired by The Lord Roll of Ipsden, Chairman of S. G. Warburg & Co.; The Rt Hon Lord Chalfont, Board Member of Lazard Brothers; and Professor F. Venturini, Chairman of Isevier, this major European Banking conference will be of particular interest and value to bankers and corporate treasurers operating in Europe. The principal speakers will include: M. André de Lattre, Crédit National; Dr Manfred Meier-Preschany, Dresdner Bank AG; Dr Rinaldo Ossola, Banco di Napoli; Banca d'Italia; Dr Manfred Meier-Preschany, Dresdner Bank AG; Dr Rinaldo Ossola, Banco di Napoli; Dr Robert Sutz, Union Bank of Switzerland; and Mr Lawrence J. Brainerd, Bankers Trust Company. The event will be co-sponsored by The Banker and Isevier.

All enquiries to be addressed to:

The Financial Times Limited
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

Tel: 01-621 1355

Telex: 27347 FTCONF G

Cables: FINCONF LONDON

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Sept 5-8	International Hardware Trades Fair (0737 63213)	Olympia
Sept 5-8	International Watch, Jewellery, and Silver Trades Fair (01-643 8040)	Earls Court, Farnborough
Sept 5-12	International Air Show (01-839 3231)	Aberdeen
Sept 6-9	Offshore Europe Exhibition and Conference (01-549 5831)	NEC, Birmingham
Sept 7-10	Label, Labelling, Marking and Identification Industry Exhibition—LABELEX (01-487 7728)	Harrogate
Sept 7-10	International Carpet Fair (021-705 6707)	NEC, Birmingham
Sept 12-16	International Woodworking Industries Exhibition—IWIE (01-486 1851)	Earls Court, Farnborough
Sept 12-15	MAB International Menswear Fair (0727 63213)	Southampton
Sept 13-18	International Boat Show (0703 32345)	Wembley Conference Centre
Sept 14-16	Coll Winding International '82 (0202 881339)	Barbican
Sept 19-21	National Bakers' Buying Fair (01-446 2411)	Harrogate
Sept 21-23	Harrogate Fashion Fair (01-537 2400)	Olympia
Sept 25-28	British Footwear Fair (01-739 2071)	Imperial College, London
Sept 27-29	Construction Industry International Exhibition and Conference (01-242 3771)	NEC, Birmingham
Sept 27-Oct 1	Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition (0737 68811)	Cutlers Gardens, EC3
Sept 28-Oct 6	Good Offices Exhibition (01-631 4947)	Barbican
Sept 28-Oct 1	London Business Show (01-647 1001)	

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Autumn Fair (01-734 0543) (until Sept 1)	Frankfurt
Current	Fashion Samples Fair—INTERCHIC (01-748 3061) (until Aug 31)	Berlin
Sept 4-7	Women's Ready-to-Wear Clothing Show (Paris) (1) 285-08 40	Paris
Sept 6-11	International Shipbuilding, Marine, Small Ships and Fishing Exhibition (021-705 6707)	Korea
Sept 11-16	International Public Works Congress and Equipment Show '82 (01-637 2400)	Houston
Sept 14-18	International Electrical Technology FINITECH (01-486 1851)	Helsinki
Sept 14-22	International Autumn Fair (01-486 1851)	Zagreb
Sept 21-23	International Exhibition and Conference for the Pharmaceutical, Cosmetics, Toiletary and Allied Industries—INTERPHEX (021 484 3384)	New York
Sept 22-24	International Coal Technology Exhibition and Congress—Europe '82 (010 29 96 55)	Copenhagen
Sept 28-30	International Petroleum Exhibition and Conference OPEC (01-876 2700)	Denver
Sept 30-Oct 7	International Mechanical Handling Equipment Exhibition—INMA (01-486 1851)	Utrecht

BUSINESS AND MANAGEMENT CONFERENCES

Aug 30-Sept 1	Management Centre Europe: Developing high performance teams (02 219 03 90)	Brussels
Aug 31-Sept 2	FT Conference: Aerospace enters a new era (01-621 1355)	Grosvenor House, W1
Sept 1	John Ottensmeyer: Tax planning—New Opportunities for the Professions (01-489 5281)	Savoy Hotel, WC2
Sept 6-8	Frost and Sullivan: Data communications advanced concepts and systems (01-486 3377)	Mount Royal Hotel, London
Sept 7-10	Industrial Relations Services: Law for personnel industrial relations and works managers (01-328 4751)	Royal Horseguards Hotel, Ldn
Sept 9-14	The Textile Institute: Textile machinery—Investing for the Future (061-534 8457)	Palace Hotel, Lucerne
Sept 13-14	Frost Sullivan: Understanding and using CAD/CAM (01-486 3377)	Mount Royal Hotel, W1
Sept 13-15	FT Conference: World Financial Futures (01-621 1355)	London Press Centre, EC4
Sept 17	Institute of Directors: The London International Financial Futures Exchange (LIFFE) (01-639 1333)	Pall Mall, SW1
Sept 21	Hoare & Govett: Future seminar (01-353 1090)	Plasterers' Hall, London
Sept 21-23	Metal Bulletin Congress: International Aluminium Congress (01-330 4311)	Monte Carlo
Sept 21-22	Lloyd's of London Press: Charter-parties (01-393 1000)	London Press Centre
Sept 23	Energy and Engineering: The market for engineering equipment systems and services for offshore structures (01-439 9021)	Albany Hotel, Glasgow
Sept 29	Goodfellow Associates: Management of Diving Costs in the '80s (0224 20265)	Holiday Inn, Dyce
Sept 30	CBF: The management of change (01-378 7400)	Centre Point, WC1
Oct 1	FPA: Industry North's fire problems (01-248 5222)	Harrogate Conference Centre
Oct 4-7	IFEAT international conference on essential oils and aroma chemicals (01-486 6787)	Royal Garden Hotel, W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Barclays Bank Interest Rates

BASE RATE

Barclays Bank PLC and Barclays Bank International Limited announce that with effect from the close of business on 31st August 1982, their Base Rate will be decreased from 11% to 10½ per annum. This new rate also applies to Barclays Bank Trust Company Limited.

RATES FOR SAVERS

Bonus Savings and Payplan Accounts. Interest paid is 10% per annum.

Ordinary Deposit Accounts

Interest paid will be decreased from 8% to 7½ per annum.

BARCLAYS

Reg. Office: 54 Lombard St., EC3P 3AH. Reg. No. 4399, 5410 and 5411.

Grindlays Bank p.l.c. Interest Rates

Grindlays Bank p.l.c. announces that its base rate for lending will change from 11% to 10½ with effect from 31st August 1982.

The interest rates paid on call deposits will be call deposits of £1,000 and over 7½ (call deposits of £300 — £999 6½ %)

Rates of interest on fixed deposits of over £5,000 will be quoted on request.

Enquiries: Please telephone 01-930 4611.

Grindlays Bank p.l.c.

Head Office: 23 Fenchurch Street, London EC3P 3ED

New Issue
August 31, 1982

All of these bonds having been placed, this announcement appears for purposes of record only.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Washington, D.C.

DM 200,000,000
9% Deutsche Mark Bonds of 1982, Due 1992

Interest: 9% p.a., payable annually on September 1
Offering Price: 100%
Repayment: September 1, 1992 at par
Listing: at all German stock exchanges

Dresdner Bank
Aktiengesellschaft

Deutsche Bank
Aktiengesellschaft

Commerzbank
Aktiengesellschaft

Westdeutsche Landesbank
Girozentrale

ADGA-Bank
Aktiengesellschaft
Allgemeine Deutsche Credit-Anstalt
Badische Kommune Landesbank
— Girozentrale
Bayrische Landesbank
Girozentrale
Berliner Bank
Aktiengesellschaft
Bremer Landesbank

Deutsche Bank Saar
Aktiengesellschaft
Deutsche Länderbank
Aktiengesellschaft

Halbbank, Maier & Co. AG
— Landkreditbank
Georg Heuck & Sohn Bankiers
Kommanditgesellschaft auf Aktien

Bankhaus Hermann Lampe
Kommanditgesellschaft
Landesbank Schleswig-Holstein
Girozentrale

National-Bank
Aktiengesellschaft
Sal. Oppenheim Jr. & Co.
Schroder, Münchmeyer, Hengst & Co.

J.H. Stein

M.M. Warburg-Brinckmann, Wirtz & Co.

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Bank für Gemeinwirtschaft
Aktiengesellschaft
Bayrische Vereinsbank
Aktiengesellschaft
Berliner Handels- und Frankfurter Bank

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vormals Hans W. Petersen

Deutsche Girozentrale
— Deutsche Kommunalbank
— Conrad Hinrich Donner

Hamburgische Landesbank
— Girozentrale
Hessische Landesbank
— Girozentrale

Landesbank Rheinland-Pfalz
— Girozentrale
Merck, Finck & Co.

Norddeutsche Landesbank
Girozentrale
Rheinisch-Westfälische Bank
Aktiengesellschaft

Trinkaus & Burkhardt

Westfälische Bank
Aktiengesellschaft

Bayrische Hypotheken- und Wechsel-Bank
Aktiengesellschaft
Joh. Benning, Gossler & Co.

Bankhaus Gebrüder Bethmann

Daldrup & Co.

DG Bank
Deutsche Genossenschaftsbank
Effektbank-Werbung
Aktiengesellschaft

Handels- und Privatbank
Aktiengesellschaft
von der Heydt-Kersten & Söhne

Landesbank Saar Girozentrale

B. Metzler, Seel, Sohn & Co.

Ostdeutsche Landesbank
Aktiengesellschaft
Karl Schmidt Bankgeschäft
Simonbank
Aktiengesellschaft
Verein- und Westbank
Aktiengesellschaft
Westfälische Kommune Landesbank
Girozentrale

WORLD VALUE OF THE POUND

The table below gives the latest average of buying and selling rates available for exchange for the pound against various currencies on August 27, 1982, in some cases rates are nominal. Market rates are the average of buying and selling rates. Abbreviations: (A) approximate rate, no direct quotation available; (F) free rates; (P) based on U.S. dollar parities and going starting/dollar rates; (T) tourist rate; (B) basic rate; (C) buying rates; (S) bankers' rates; (Cm) commercial rates; (Ch) convertible rates; (Fn) financial rates; (Sc) exchange certificates rates; (Nc) non-commercial rates; (Nm) nominal; (Of) official rate; (Sp) selling rate.

PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING
Afghanistan..... Afghan	89.00	Green and..... Danish Kroner	15.015	Peru..... Sol	14.200,10
Albania..... Lek	9,910	Guatemala..... E. Caribbean \$	4.69	Philippines..... Philippine Peso	14.62
Algeria..... Dinar	5.04	Guinea..... Guinean \$	12.04	Pakistan..... Pakistan Rupee	14.62
Andorra..... French Franc	12.04	Guinea-Bissau..... Guinean \$	1,756	Papua New Guinea..... New Guinea \$	2,370
Angola..... Kwanzas	(Cm) 60,7025	Guyana..... Guyanese \$	36.90	Poland..... Zloty	14.62
Antigua (St.)..... E. Caribbean \$	(T) 68,691	Haiti..... Gourde	68.69	Portugal..... Portuguese Escudo	14.62
Argentina..... P. Peso	(Cm) 48,028	Hong Kong..... H.K. \$	10.475	Puerto Rico..... U.S. \$	1,756
Australia (S.)..... Australian \$	(T) 87,818	Hungary..... Forint	66.47	Romania..... Lei	(Cm) 7.59
Austria..... Schilling	20.055	Iceland..... Krona	26.11	Rwanda..... Rwanda Franc	(Nm) 18.55
Azores..... Portuguese Escudo	14.625	India..... Rupee	14.62	S. Christopher..... E. Caribbean \$	4.69
Bahamas..... Dollar	0.660	Indonesia..... Rupiah	1,466.15	St. Helena..... St. Helena \$	1.0
Bahrain..... Dinar	2.75	Iran..... Rial	1,466.15	St. Lucia..... E. Caribbean \$	4.69
Banarasi..... Sp. Peseta	194.10	Iraq..... Iraqi Dinar	1,466.15	St. Vincent..... E. Caribbean \$	4.69
Bangladesh..... Taka	1,466.15	Israel..... Sheqel	1,466.15	Salvador El..... Colon	1,756
Barbados..... Barbados \$	3.770	Italy..... Lira	2,414.5	Samoa American..... U.S. \$	2,414.5
Belgium..... S. Franc	(Tm) 88.40	Ivory Coast..... C.F.A. Franc	602.0	San Marino..... Italian Lira	2,414.5
Belize..... B. Dollar	2.470	Jamaica..... Jamaican Dollar	2,058	Sao Tome & Prin..... Dobra	71.80
Bermuda..... C.F.A. Franc	602.0	Japan..... Yen	146.25	Saudi Arabia..... Ryal	5.9625
Bhutan..... Indian Rupee	15.65	Jordan..... Jordan Dinar	0.69	Senegal..... C.F.A. Franc	602.0
Bolivia..... Bolivian Peso	(Tm) 76.40	Kampuchea..... Riel	3,083.8	Sierra Leone..... S. Leone	11.46 (Tm)
Botswana..... Pula	1,380	Kenya..... Kenya Shilling	19.00	Singapore..... Singapore \$	2,370
Brazil..... Cruzeiro \$	226.15	Kiribati..... Australian \$	1,756	Solomon Islands..... Solomon Is. \$	1,756
Brunei..... Brunei \$	2,775	Korea (Nth.)..... Won	1,297.94	Somalia..... Somali Shilling (1)	21.63
Bulgaria..... Lev	1,680	Kuwait..... Kuwait Dinar	0.5005	Somalia..... Somali Shilling (2)	21.63
Burma..... Kyat	154,085	Laos..... New Kip	17,355	South Africa..... Rand	1,9625
Burundi..... Burundi Franc	602.0	Lebanon..... Lebanese \$	1,466.15	Taiwan..... New Taiwan \$	14.62
Cameroon..... C.F.A. Franc	602.0	Libya..... Libyan Dinar	0.640	Tanzania..... Tanzanian Shilling	39.77
Canada..... Canadian \$	1.466	Liechtenstein..... Swiss Franc	66.40	Togo..... C.F.A. Franc	602.0
Cape Verde..... Cape V. Escudo	94.75	Luxembourg..... Luxembourg \$	1,466.15	Tonga..... Tongan Pa'anga	1,756
Ceylon..... Ceylon \$	602.0	Macao..... Pataca	10.75	Trinidad & Tob. \$	4.1676
Chad..... C.F.A. Franc	602.0	Madagascar..... Madagascar Escudo	537.50	Tunisia..... Tunisian Dinar	1,05 (Tm)
China..... Renminbi Yuan	2.470	Malawi..... Kwacha	1,466.15	Turkey..... Turkish Lira	2,414.5
Colombia..... C. Peso	(F) 112.35	Malaysia..... Ringgit	4.0575	Turkmenistan..... Turkmen M. \$	1,756
Comoro Islands..... C.F.A. Franc	602.0	Maldives..... Rufiyaa	15.11	U.S.A...... U.S. Dollar	1.0
Congo (Brazzaville)..... C.F.A. Franc	602.0	Mali..... C.F.A. Franc	602.0	Uganda..... Uganda Shilling	165.0
Costa Rica..... Colon	(F) 112.35	Malta..... Maltese \$	0.75	United States..... U.S. Dollar	1.0
Cuba..... Cuban Peso	1,467	Mauritania..... Ouguiya	16.15	Uruguay..... Uruguay Peso	(Tm) 22.45
Cyprus..... Cyprus \$	0.9425	Mauritius..... Rupee	1,756	Uzbekistan..... Uzbek S. \$	1,756
Czechoslovakia..... Koruna	(Tm) 16.80	Mexico..... Mexican Peso	(F) 16.80	Venezuela..... Boliviar	2,414.5
Denmark..... Danish Kroner	15.015	Moldavia..... Moldavian \$	1,466.15	Vietnam..... Dong	(Tm) 7.755
Dominican..... E. Caribbean \$	4.69	Monaco..... Monaco \$	1,466.15	Virgin Islands U.S. U.S. Dollar	(Tm) 1.11
Dominican Repub. Dominican (Peso)	1,756	Montserrat..... E. Caribbean \$	4.69	Western Samoa..... Samoan Tala	2.13
Ecuador..... Sucre	(F) 87.00	Mozambique..... Metical	10.475	Yemen (Nth.)..... Y. \$	7.97 (Tm)
Egypt..... Egyptian \$	(F) 1,445	Nauru..... Australian Dollar	1,755	Yemen (Sth.)..... Y. \$	7.97 (Tm)
Equatorial Guinea..... Equatorial \$	389.2	Nepal..... Nepalese Rupee	22.85	Yugoslavia..... New Y Dinar	85.5544
Ethiopia..... Ethiopian Birr	(F) 5,540	Netherlands..... Guilder	4.705	Zaire..... Zaire	10,174.87
Falkland Islands..... Falkland \$	15.015	Nicaragua..... Cordoba	17.40	Zambia..... Kwacha	1,4625
Faroe Islands..... Danish Kroner	15.015	Niger Republic..... C.F.A. Franc	602.0	Zimbabwe..... Zimbabwe \$	1,4625
Finland..... Markka	5.945	Nigeria..... Naira	14.62		
French Polynesia..... C.F.A. Franc	602.0	Norway..... Norwegian Krone	11.49		
French Guiana..... Local Franc	12.04	Oman Sultanate of..... Rial Omani	0.506		
French Pacific Is. C.F.A. Franc	602.0 (Tm)	Pakistan..... Pakistan Rupee	20.95		
Gabon..... C.F.A. Franc	602.0	Paraguay..... Paraguayan \$	1,756		
Gambia..... Dalasi	4.0	Peru..... Sol	(F) 14.200,10		
Germany (East)..... Ostmark	4,3225	Philippines..... Philippine Peso	14.62		
Germany (West)..... Deutsch Mark	4,3225	Pakistan..... Pakistan Rupee	20.95		
Ghana..... Cedi	4.0	Paraguay..... Paraguayan \$	1,756		
Gibraltar..... Gibraltar \$	1.0	Peru..... Sol	(F) 14.200,10		
Greece..... Drachma	150.784	Philippines..... Philippine Peso	14.62		

* That part of the French community in Africa formerly French West Africa or French Equatorial Africa 1 Rupee per pound, 1 General rates of oil and from exports 72.5. * Prices in the transfer market. (U) United rates. (F) Free rates. (T) Based on gross rates against Russian rouble. (1) Parallel exchange rate for essential imports. (2) Exports, non-essential imports and transfer. (3) Essential goods. (4) Floating rate. (5) Preferential rate for priority imports such as foodstuffs.

July 1982

INSURANCE & OVERSEAS MANAGED FUNDS

[illegible][illegible][illegible]

15	+0.01	—	Pfizer Fund Inc.	\$7.80
15	+0.01	—	St. Florent ...	117.7
15	—	—	Yan Bond ...	118.3
Total 33425				
52	+0.25	—	Equity Funds	
67	—	—	UK Growth Fund ...	101.7
—	—	—	Internat. Gr. ...	101.7
—	—	—	For Eastern ...	101.7
90	-0.09	—	North American ...	101.7
—	—	—	Super ...	101.7
0534 71460				
7	—	—	Community Funds	
7	—	—	Commodity ...	101.7
—	—	—	Gold Fund ...	101.7
0624 25015				
35	—	—	Multicurrency Reserve Funds	
—	—	—	U.S. ...	1.00
—	—	—	D. Marks ...	1.00
—	—	—	£ Sterling ...	1.00
—	—	—	Yen ...	1.00

Deposits Paid	..... \$160.8
St. Deposit Fund	..... \$160.8
***Aug. 2nd ***Aug. 18th	
***July 30 weekly drals.	
1-07	2.83
Schröder Mngt. Services	
P.O. Box 195, St. Helier, Jersey	
Sterling Bank Ltd. £12,772.18	
Next subscription day	
1-08	=
J. Henry Schröder Wagg	
120 Champagne, EC2	
Am. In Trl Aug -R. \$177.72	
Am. In Trl Aug -R. £19.65	
Comp. Aug 2b \$11.57	
Dis. Aug 2b \$56.77	

Net	1,294	1,271	or
Net	1,347	B461	
ment	0534	73741	
85	1.00		
	12.13		
ing Kong	0.70		
	—		
	2.10		

Total Net. Aug. 22 Transferred Feb. 71		\$189,730.00
Schroder Unit Trust Mgrs. Box 273 St. Peter Port, Guernsey		
Managed:	Currency	\$10.7
	Fixed Interest	\$6.22
	Equity	\$1.53
	Fixed Interest	\$10.72
	Equity	\$1.1
Schroder Life Assurance Inc. Ltd. Managed: Currency Life Feb. 71		
	Fixed Int. Life Feb.	\$5.28
	Equity Life Feb.	\$1.28
	Fixed Int. Life Feb.	\$19.5
	Equity Life Feb.	\$8.04
Prices on August 25, 1971		

1.00	Scitigroup Kemp-Coe M	
	1, Charing Cross St, Her, Jer	
0.50	SHG Capital Fund	127.3
	SHG Income Fund	151.7
1.40	Gilt Bond	137.9
5.30	Scoty Assurance Internat	
10.10	P.O. Box 1776, Hamilton 5, B	
5.30	Managed Fund	34.0049 4

Aug 5, 1981
01-283 2400

Singer & Friedlander Ltd
20, Cannon St, E.C.4.
Debit card
John T.R. Aug. 2

0481-266-08
071

01-283 2400

01-623 8000	5.30	Strategic Metal Trust	3 Hill Street, Douglas, 10M
	5.30	Strategic Metal Tr...	3925 0
-0.02	7.97	Stronghold Management	P.O. Box 315, St. Helier, Jersey
	2.67	Commodity Trust...	129.4
	11.10		
	11.57	Suninvest (Jersey) Ltd.	4, Hill St., Douglas, Isle of Man
	2.19	Copper Trust...	12.00
	0.97		
	2.38	TSB Trust Funds (C.I.)	
	2.84		

1-003	238	10 Wharf St. St. Helene, Jersey City 10
		TSG Gilt Fund Ltd. 10/20
		TSG Gilt Fd. Jy. Ill. Ltd. 10/20
		TSG Jersey Fund, Inc. 10/20
		TSG Government Fund 10/20
		Prices on August 25. Next set
<hr/>		
Ltd.		Tokyo Pacific Holdings N.
Seoul, Korea		Int'l Management Co. N.Y.,
5524.33		NAV per share August 23
<hr/>		
Ltd.		Tokyo Pacific Hldgs. (Seas
0534 37361		Int'l Management Co. N.Y.,
		NAV per share Aug 23
	1.00	
	13.00	
		Tyndall Group

5.00	2 New St., St. Helier, Jersey.	
13.00	TOPSL AUG 26	£11.20
11.30	(Accum. shares)	£19.85
1.00	Far Eastern Aug 26	151.2
—	(Accum. shares)	170.6
—	Far Eastern Aug 26	125.4
—	(Accum. shares)	125.4
—	Jersey Fd Aug 25	129.4
—	(New A.S. etc.)	266.0
—	Gilt Fd Aug 25	113.4
—	(Accum. Shares)	242.8
—	Victory Hedge, Douglas, Isle of Man	
—	High Inc. Gilt Aug 25	114.0
—	(Accum. Shares)	167.6
—	International Equity	236.6
—	Do 5	416.5
—	Private Equity	207.0
—		207.0

term	North Amer. Equity	55.2	1
0481.26761	Do \$	0.970	1
	UK Equity	149.4	21
	Do \$	5.520	21
	Interest, Foreign Int.	27.1	21
	Do \$	0.507	21
	Global Fixed Int.	210.3	23
	Do \$	5.875	4
	Dollar Deposit	82.7	8
	Do \$	1.450	8
	Sterling Deposit	130.0	13
	Do \$	22.95	30
	Commodity	251.8	30
	Do \$	5.075	5
	Govt. Bonds	2.0	1
	Do \$	3.00	1
	UK Property	196.6	20
	Do \$	1.411	3

Interval Managed	222.0	23
D. \$	1,420	4
UK Managed	501.8	8
D. \$	1,580	5.7

12.00
August 27.

M. G. Tyrrell & Co. (Jersey)
P.O. Box 426, St. Helier, Jersey
Gruic. — \$10

Unico Invest. Fd. Mgmt. Co.
London & Continental Bankers
2, Throgmorton Ave., London
Unio Invest. Fund. — 1061.88 65

Politech Invest-Gesellschaft
Postfach 16767, D 6000 Frankfurt

0534	27441	Unifonds	.....	OWIS 29	1A
		Unimac	.....	OWIS 29	1A
1.21		Unirent	.....	OWIS 32	39
V.C.A. Financial Management					
11-588	4364	42, Essex Street, London, WC2.			
27	7.81	Par.Amer. G's Fd	.....	154 48	—
	2.78				
	0.35				
	2.01				
		Vanbrugh Fund Mgmt. Int'l			
		28-21 Hall St. St. Helier, Jersey.			
		Vanbrugh Currency Fd	1113 4		113
S. G. Warburg & Co. Ltd.					
		30, Gresham Street, EC2.			
		Energy Ind. Aug. 25	.....	575 20	
		Mort. Fin. Ind. Aug. 25	.....	513 13	

[illegible]

102	Wardley Road Trust	\$98.91	10.11
103	Wardley Jazan Trust	\$14.21	14.71
104	World Wide Growth		
105	10A, Boulevard Royal, Luxembourg		
106	Worldwide GIN Pk	\$20.57	
107	100 Act. M. & G. Inv. Mgr., LI		
108	Wren Commodity Management		
109	101 St. George's St., Douglas, IOM		
110	Wren Corp. Fund	\$52.7	34.1
111	Chinese Fund	69.3	71.3
112	Procter & Gamble Fund	137.4	143.3
113	Vanguard Corp. Fd.	80.4	41.7
114	Platinum Futures Fd.	97.2	101.2

NOTES

Prices are in price unless otherwise
those designated \$ and no profit
dollars. Yields % shown in last column
unless otherwise. a Offered price
expenses. b Today's price. c Yield in
price. d Estimated. e Today's price
in Distribution free of UK taxes.
premium insurance plans. f Swap
insurance. x Offered price. Includes
except agent's commission. y Offered
all expenses if bought through manage-
day's price. z Quarterly gross.

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 ## Only available to charitable books

Adlig Investment	Munich 1, Telex
Postfach 708, 8000	20.73+
Adligen...	DM20.13
Distribution Aug 82..	DM1.75
Adverba...	DM9.47
	51.94+

[illegible]

Prices are in pence unless otherwise
those designated \$ with no prefix
dollar. Yields % shown in last column
buying agencies. a Offered prices. b Yield
expense. c Today's price. d Yield
price. e Estimated. f Today's
in Distribution free of UK taxes.
premium insurance plans. g Same
insurance. h Offered price inclusive
except agent's commission. y Offered
all expenses if bought through manage-
day's price. 4 Guernsey gross.



Tuesday August 31 1982

Chinese party faces purge

BY TONY WALKER IN PEKING

A SWEEPING purge of the Chinese Communist Party's 39m members is expected to follow the party's 12th congress opening in Peking today. At the end of the meeting all members are likely to be asked to re-register for party membership. Acceptance, however, will not be automatic.

It appears Deng Xiaoping, China's most powerful politician, and supporters have devised an ingenious scheme to get rid of many party members without going through messy expulsion procedures.

Deng has said many members were not up to standard. China's paramount leader referred particularly to those, perhaps more than 20m, who joined the party after the start of the Cultural Revolution.

According to well-placed observers the aim of the re-registration procedure is to trim the party, to make it more manageable and to improve the quality of its membership.

Deng and supporters in the moderate faction of the leadership have manoeuvred for several years towards an extensive wedding of those they consider unsuitable. The Discipline Inspection Commission of the party spent at least the past year reviewing individual party memberships.

The Dengists may have calculated also that many present party members will not bother to re-register in the knowledge their Cultural Revolution activities would make them unacceptable.

A leading official of the Discipline Commission said in an interview with the Xinhua news agency at the weekend that "after several years of rectification and consolidation of our party, the main trend in our party is good and its work-style has become better and better."

He added: "Of course, we aim at a fundamental change for the better in the work-style of our party and there is still a long way to go to achieve our goal."

This may come as ominous news to millions in the party whose hold on membership is shaky.

The congress seems likely to be one of the most important in the party's history. It will endorse new outward-looking economic policies as well as

approve changes in the party leadership structure. Among the changes are:

- Creation of a central advisory panel of party elders, expected to be led by Deng;
- Abolition of posts of chairman and vice-chairman—there are six party vice-chairmen;
- Strengthening of the party secretariat under Hu Yaobang, the general secretary, who will relinquish chairmanship but, as general secretary, will remain the party's chief executive;
- Retention of the Politburo, in spite of reports to the contrary, but with a reduced role because of the strengthening of the secretariat and the creation of the panel of advisers.

The congress will meet for about a week. It will be followed by a plenary session of the central committee, to elect officials to newly-constituted bodies.

The 1,600-odd congress delegates will elect a new Central Committee. This is expected to include an overwhelming number of Deng's supporters, unlike the more ambivalent present Central Committee elected in 1977 when Maoists

like Hua Guofeng, the former chairman, were in the ascendancy.

The congress will approve a draft party constitution to encompass organisational changes mentioned above. Other tasks will be to consider a major general political report, expected to be delivered by Hu Yaobang, on developments in and outside China since 1977.

The report will assess the international situation and domestic conditions in China. It is likely to set down modernisation priorities for several decades. These might include a call for more efforts in agriculture, energy development, and transport.

According to a Chinese source the party general secretariat would operate very like one formed in the 1950s under Mr Deng. As with many reforms implemented in the past several years those about to be endorsed by the party congress reflect the way things were done at times in the 1950s and 1960s when pragmatists like Mr Deng and Liu Shaoqi, the former Head of State, were in control.

Leader, Page 14

MIM Holdings in new financing scheme

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MIM HOLDINGS, the Australian steel and natural resources company, is raising A\$700m (US\$450m) for its Newcastle-Collinsville coal development in Queensland with a new technique designed to draw institutions and other money market investors into long-term project financing for the first time.

In essence, international banks will guarantee part of the financing, which will be raised through the issue of short-term money market paper that can be rolled over continuously for 12 years.

About US\$520m (£298m) will be raised in this way, so that

banks already committed heavily to large project financing in Australia will not have to put up the money themselves. Instead, a group of banks led by Manufacturers Hanover will provide a guarantee facility of US\$320m against the issue of three- and six-month Eurodollars, which are akin to a Eurodollar certificate of deposit.

Chemical Bank is arranging a US\$200m back-up facility for the issue of commercial paper in the New York market, for which it will act as sole dealer and agent.

Money market investors who buy the commercial paper and

Eurodollars will thus obtain a tradable short-term asset, whereas the banks providing the guarantee and back-up facility will themselves assume any long-term risk attached to the completion of the project.

A statement yesterday said MIM and its financial adviser, First Boston, are also finalising further conventional loans totalling A\$200m in a mixture of Australian, U.S. and Japanese currency.

Long-term Credit Bank of Japan and Bank of Tokyo will be agents for the Japanese loans, all with a life of 12 years. All the loans will have average margins over Euro-

currency rates of about 1 per cent. The project comprises the development of a new mine at Newcastle, expansion of the existing Collinsville mine, and building of related port and rail installations to provide for the production of 6.3m tonnes a year of steaming and coking coal.

Long-term sales contracts for 90 per cent of the total output have already been announced, with options and current negotiations taking this figure to 98 per cent. The sales are to customers in Europe, Japan, Taiwan, Hong Kong, Korea and other Pacific Basin countries.

Private finance plan for Gatwick rail link

By Hazel Duffy, Transport Correspondent

A SCHEME to create a privately-financed rail link between Victoria and Gatwick Airport, costing about £45m, is expected to go before Ministers within the next few weeks.

The plans, drawn up by a working party of Treasury, Transport Department and British Rail, will be formed by a new service between Victoria and Gatwick. BR would own a 30 per cent share in the company and the rest would be subscribed from the private sector.

The company would own the new terminal being built above Victoria Station, and the rolling stock. It would pay BR for the use of the tracks while BR would also maintain the rolling stock.

BR believes that the scheme provides the best hope of improving the Gatwick service. Construction has started at the Victoria terminal, where check-in facilities for airline passengers are planned, but BR's financial plight offers little chance that the service will be improved unless it is allowed access to private capital.

The outline plans will be submitted to Mr David Howell, Transport Secretary, and Sir Peter Parker, BR chairman, shortly. The Transport Department is thought to be enthusiastic about the scheme, but it will be the view of the Treasury on its viability which will determine the outcome.

The Treasury has been sceptical so far about other new plans involving private-sector finance and the railways, particularly the Channel Tunnel, because it believes the degree of integration would be too great for the private sector to manage.

The return on a separate Victoria-Gatwick link would depend on the forecast growth in traffic at Gatwick materialising, which in turn will depend on the second terminal at Gatwick going ahead.

The station at Gatwick has been modernised at a cost of £15m, which the terminal at Victoria is estimated at £20m. Refurbished rolling stock, with specially designed luggage vans, permanently coupled to an electric locomotive would be used on the link.

The plan is that the new company would set its own fares, running a service every 15 minutes. BR recognises that the present Gatwick service and some of the rolling stock are not satisfactory. If the plans receive Government approval, it would hope to have the link working by the spring of 1984.

Murray calls for tougher action in health workers' pay dispute

BY PHILIP BASSETT, LABOUR CORRESPONDENT

MR LEN MURRAY, TUC general secretary, said yesterday that the programme of industrial action taken so far in the National Health Service over pay must be stepped up to persuade the Government to listen to the health workers' case.

Such a firm, forthright statement from a leading figure in the trade union movement—and one usually known for his reluctance to give new heart to the health service strikers. It may well also increase moves by non-NHS workers for widespread sympathy action on the day of the NHS one-day general stoppage, called for September 22.

Mr Murray, speaking in a radio interview, said: "We have to try to get the Government to listen. The man and woman in the street are saying that the health workers ought to get a better deal. More and more people are saying it. The problem is how do we get the Government to listen?"

"We have to escalate the action in order to get the Gov-

ernment to listen to what must be done."

Mr Murray acknowledged that intensified action might lose the unions the measure of public support they were enjoying. He said: "Of course there is a risk of that. But it is a risk we have to take."

Replying to the suggestion from Mr Norman Fowler, Social Services Secretary, that the unions "cool it," Mr Murray said: "The whole thing would be cooled if Mr Fowler would say: 'I will come to the negotiating table, or conciliation, or arbitration.'"

Mr Murray said the Government would have to think again. Everybody made mistakes. The Government ought now to acknowledge that the hospital workers have a good case which should be met.

He forecast a "tremendous response" to the NHS dispute from other unions, next week's TUC Congress in Brighton. The full TUC general council is likely to decide this week in favour of a recommendation from Mr Murray that it should

draft a statement on the NHS dispute to put to Congress.

This would be used as the basis for the debate on the dispute, currently set for Thursday of Congress week.

It would have the added advantage of obviating emergency motions on the dispute from individual unions, which would preclude the possibility of any differences in policy or strategy emerging at a highly-public occasion.

The General and Municipal Workers' Union and the National and Local Government Officers' Association have already tabled emergency motions, but seem likely to be prepared to withdraw them in favour of a centrally-agreed statement of which most affected unions seem in favour.

TUC leaders are also likely to monitor closely talks expected on Friday between Mr Fowler and the non-TUC Royal College of Nursing, following the RCN's 2-1 rejection in a ballot of the Government's 7.5 per cent pay offer to nurses.

TUC plans tighter funds control

BY CHRISTIAN TYLER

THE TUC is planning to bring the huge assets and income of its members' occupational pension funds under close trade union control.

It aims to change the investment policies of the funds by persuading trade union member trustees to challenge the orthodoxy of the funds' investment advisers and managers.

Its two priorities will be to limit and eventually reduce overseas investment—which has been greatly increased, especially since the lifting of exchange controls—and to use the funds for UK industrial investment. Long-term capital growth rather than maximum short-term rate of return will be the criterion.

Although the TUC argues that all this can be done without violating trustees' existing legal obligations, its bid for funds will be seen by many in the City as nakedly political. The TUC plans are tailored to fit a revamped industrial strategy and State planning system drawn up in tandem with the Labour Party.

An illustration of what would happen if the TUC's strategy is successful has already been provided by Mr Arthur Scargill, president of the National Union of Mineworkers, and a new trustee of the Coal Board pension fund. He and his four fellow trustees from the NUM have rejected the fund's latest investment plan because it seeks to increase the ratio of investment placed abroad and with the oil companies, a competitor industry.

There has been talk of a test case in the courts, after a clash

between the fund's solicitors and the union's own legal advisers. But the NUM trustees are convinced they are entitled not only to block the disputed placing but also to order the sale of existing holdings.

The TUC's plans are set out in a policy document published today after several years of consultation. Some of the details are still tentative and have to be tested in the first instance at a special conference of trade union member trustees on November 11.

These trustees, it is suggested, must press for an initial investment limit of 10 per cent of their funds' overseas assets—present ratios are as high as 30 per cent in some cases—which would be reduced as UK opportunities increased. Direct investment in South Africa would be avoided entirely. If necessary, trade union negotiators should demand alterations to trust deeds to make that policy explicit.

Self-administered pension funds now control more than £80bn of assets and have at least £7bn a year of new money to invest. This is as much as the total capital investment in UK manufacturing last year, the TUC notes. If insured schemes are included, total assets could be as much as £90bn.

Report on Pension Fund Investment and Trusteeship; TUC, Congress House, Great Russell Street, London WC1.

CBI Continued from Page 1

The balance of payments is expected to achieve a surplus on current account of about £2bn this year, but increasing import penetration is expected to offset this following year.

This compares with a forecast of a surplus of £1bn for 1983 predicted in May before the extent of import penetration was known, and when exports appeared more buoyant.

The CBI's view of the world economy has also become more pessimistic since its last forecast in May. It now expects no growth in the total output of the OECD countries this year, followed by growth of only 1½ per cent next year.

World trade is expected to increase, by 2 per cent this year, and by 2½ per cent next year, compared with 4 per cent in 1981.

Arafat quits after 12 years in Lebanon

By Stewart Dalby and Nora Boustany in Beirut

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, sailed from Beirut for Athens yesterday after 12 years in Lebanon.

His historic departure was planned to be a solemn affair. In the event, the scores of journalists and photographers jostling with hundreds of his supporters in the largely destroyed port area, robbed the occasion of its dignity.

Shortly before Mr Arafat's departure 1,500 Syrian troops left Beirut by road with their tanks, armoured personnel carriers and heavy artillery pieces.

They were thought to be going to join the 30,000 or so Syrian troops in the Bekaa Valley, in East Lebanon. They rumoured through empty streets early in the morning, their progress unhindered by either Israeli or Christian Phalangist troops who control the south-western part of the Beirut-Damascus Highway.

The remaining force of about 1,200 Syrian troops is due to leave Beirut today to join the other troops in the Bekaa Valley. At the latest, Syria's withdrawal from Beirut is to be completed on Wednesday.

More than 9,000 PLO fighters and Syrian troops have left West Beirut. It seems likely that all 15,000 fighters due to be evacuated under the plan of Mr Philip Habib, the U.S. special envoy, will have left by tomorrow.

Now that Mr Arafat, Dr George Habash, the leader of the Marxist Popular Front for the Liberation of Palestine, as well as Mr Nayef Hawatmeh, of the Democratic Front for the Liberation of Palestine, have left West Beirut, attention has centred on fears of a military confrontation between the heavily armed Muslim militias that remain in the city and either the Lebanese Army or the Israelis.

The Lebanese Army is supposed to be taking up positions in West Beirut as a preliminary step to dismantling all militias.

However, by last night no units had entered the heart of West Beirut. There is grave concern that the Nasserite Murabitoun, in particular, will resist any attempts to be dismantled.

The leader of the Murabitoun, Mr Ibrahim Kheleilat, has said there will be no surrender of arms until the Israelis withdraw. The situation has not been helped by statements reaching here that Lieutenant-General Rafael Eitan, the Israeli Chief of Staff, has said his troops were ready to go into West Beirut and disarm the Murabitoun. Much will hinge on whether Mr Gemayel manages to allay Muslim fears over the next few days.

Uneasy peace in Bekaa Page 2

Weather

UK TODAY

MAINLY DRY. Rain later. Temperatures near normal. N. Ireland, Argyll, N.E. and N.W. Scotland, Orkney, Shetland.

Cloudy. Rain. Gales. Dry spells later. Max. 17C (63F). Rest of Scotland, England, Wales, Channel, I.O.M. Sunny, cloudy with rain later. Max. 20C (68F).

Outlook: Rain in the North, dry in the South.

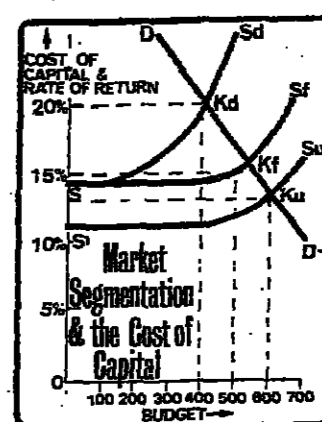
WORLDWIDE

	Y'day	Today	Y'day	Today
Accra	25	27	London	19
Algiers	27	27	Los Angeles	19
Amman	17	18	Luxembourg	19
Ankara	15	16	Madrid	20
Bahra	29	30	Manila	21
Batavia	28	29	Moscow	17
Beirut	12	14	Munich	17
Bombay	24	25	Nairobi	22
Buenos Aires	23	24	Paris	22
Calcutta	21	22	Rangoon	22
Canton	18	19	Reykjavik	10
Cebu	23	24	Rome	17
Colon	21	22	Sao Paulo	17
Dacca	18	19	Seoul	17
Dhaka	23	24	Shanghai	17
Dublin	16	17	Singapore	22
Edinburgh	16	17	Taipei	17
Faro	20	21	Tokyo	17
Hankow	18	19	Toronto	17
Hong Kong	23	24	Winnipeg	17
Kobe	18	19	Zurich	17
Kuala Lumpur	23	24		
London	19	20		
Lyons	17	18		
Manila	21	22		
Medan	23	24		
Meppen	17	18		
Moscow	17	18		
Mumbai	24	25		
Nairobi	22	23		
Paris	22	23		
Rangoon	22	23		
Reykjavik	10	11		
Rome	17	18		
Sao Paulo	17	18		
Seoul	17	18		
Shanghai	17	18		
Singapore	22	23		
Taipei	17	18		
Tokyo	17	18		
Toronto	17	18		
Winnipeg	17	18		
Zurich	17	18		

—Cloudy, —Fair, —Rain, —Sun, —Snow.
+ Noon GMT temperatures.

THE LEX COLUMN

Why Novo spread its wings



During the year 1977 several meetings took place between two old friends. Professor Arthur Stonehill, of the Oregon State University business school, and Mr Kare Dullum, finance director of a then obscure Danish company called Novo Industri, making enzymes and pharmaceuticals (mainly insulin). Novo was a small company with big ambitions, but it suffered the handicap of being trapped within a very limited Danish capital market. Could a theoretical case be made for internationalising Novo's capital sources?

Novo's long-range financial plan prepared in May 1977, projected substantial cash flow deficits, which were expected to reach Dkr 134m for 1978 and 1979 combined. If the company could not raise funds externally on acceptable terms it would have to slow its growth rate, or choose some other undesirable course of action.

High technology

For a company in this kind of high technology business, a slow-down posed serious dangers. If the company failed to exploit technological opportunities as they became available, others might. Not only would it lose out in these new processes to competitors, but its whole viability might be undermined, particularly as the continuing research and development requirements in biotechnology would inevitably be extremely heavy.

The competition included substantial companies such as Eli Lilly and Miles Laboratories in the U.S. and Ciba-Brothers in the Netherlands. These had substantial capital resources at their disposal. But Novo's management and advisers feared that it would be impossible to raise the required funds in Denmark without seriously depressing its share price and greatly increasing its cost of debt.

The danger was that by heavily tapping the small, illiquid Danish capital market Novo would drive up its cost of capital. The obvious solution was for the company to seek to tap overseas sources of capital—to match the multinational nature of its sales pattern by developing a multinational funding policy. But this could only be a valid strategy if it could be proved that the Danish capital market was in some way "segmented," or isolated from foreign markets.

Certainly the Danish market has restrictive features for

domestic investors, who cannot buy overseas securities, and are subject to a tax regime which discriminates against equities. Yet there is nothing to prevent foreign investors from rushing in to snap up undervalued Danish shares.

Barriers

Nevertheless it is clear that there are important effective barriers. International investors require information in a language (preferably English) which they can understand and in a form which they are familiar with. They will have their own ideas about capital structure, for example. British and American investors will not be happy with the high financial leverage which is common in Denmark.

Novo decided it would have to break through these barriers. In 1978 it embarked on a course which, in stages, has taken it to a New York listing and access to the capital market on the same basis as U.S. rivals like Genentech or Cetus. The theory and practice of this has been set out in a new book by Stonehill and Dullum.

The essence of the theory is set out in the chart. Projects in declining order of rate of return are ranked along the line DD. In an illiquid and segmented domestic capital market the company faces a sharply rising cost of capital along the line SS, and the optimal capital budget is only, in this example, 400 currency units.

In a more liquid, though still segmented, market the cost of capital rises more slowly along the curve SS and the optimal capital spend rises to, say, 500. Best of all, however, is when the company can gain access to the integrated international capital market. The curve SS' not only starts lower but is flatter, and the

capital budget can climb still higher.

This may be just an airy-fairy way of saying that ambitious companies have to be prepared to move to where the money is, but Novo has been impressively successful in homing in on the point K.

The first step was a convertible Eurobond issue in 1978, boosted by "road shows" in major European cities. There was also a London Stock Exchange listing, and with the abolition of UK exchange controls in 1979 British interest greatly expanded. There followed an equity issue, and with biotechnology suddenly becoming fashionable, Novo had become an international glamour stock.

Voting control

Then it was on to the U.S. in earnest, with seminars, the hiring of Goldman Sachs' advisers, a quote on the over-the-counter market, and in May 1981 a U.S. share issue and New York Stock Exchange listing. At the present time, a much as 80 per cent of the stock may be held outside Denmark, although the Novo Foundation in Denmark remains firmly in control with 96.3 per cent of the total votes thanks to its ownership of the A stock.

Ironically, Novo's share price is now performing even better than that of many of its U.S. rivals, whose glamour has faded a little. Novo is a company with a track record and a broad range of products on the market, whereas with some of the U.S. biotech stars the concept has run some way ahead of the product.

But can any general lesson be drawn from the case history of Novo? It is tempting to say that it is such an exceptional company that emulators will follow it at their peril. Other successful examples of companies tapping foreign markets range from whimsical Vancover-based oil exploration outfits to the languishing Vita-iron, a Dutch technology share listed in London.

Yet Novo Industri has proved that if everything clicks into place, and if a company is really prepared to make the effort, the international capital market is ready to be tapped.

"Internationalising the Cost Capital in Theory and Practice: The Novo experience—national policy implications." Arthur I. Stonehill and Kare D. Dullum. To be published shortly in Copenhagen.

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